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# ***Daily Report***

## **China**

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# Daily Report China

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1 June 1988

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### General

**Foreign Ministry Gives Weekly News Briefing**  
HK0106110288 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1028 GMT 1 Jun 88

[Report: "The 12th Round of Sino-Soviet Negotiations Is To Be Held in Moscow"]

[Text] Beijing, 1 Jun (ZHONGGUO XINWEN SHE)—China and the Soviet Union have agreed that special envoys of their governments will hold the 12th round of negotiations on the normalization of relations in Moscow between 13 and 20 June.

Li Jinhua, a spokeswoman for the Chinese Foreign Ministry, made the announcement at this afternoon's news briefing. She said that the Chinese Government's special envoy will be Tian Zengpei, a vice foreign minister.

This spokeswoman also announced that at the invitation of Political Bureau member of the CPC Central Committee and Premier of the State Council Li Peng, Zbigniew Messner, member of the Political Bureau of the Central Committee of the Polish United Workers Party and chairman of the Polish Council of Ministers, will pay an official good-will visit to China from 5 to 11 June.

### Background on Tian Zengpei

OW0106075088 Beijing XINHUA in English  
0737 GMT 1 Jun 88

[Text] Beijing, June 1 (XINHUA)—The 12th round of consultations between the special envoys of the governments of China and the Soviet Union on the normalization of relations between the two countries will be held in Moscow from June 13 to 20.

This was announced by a spokesman for the Chinese Foreign Ministry at a weekly press briefing here this afternoon. He also said that the special envoy of the Chinese Government is Vice Foreign Minister Tian Zengpei.

Tian was once head of the Soviet Union and East Europe Department of the Foreign Ministry and Chinese ambassador to Yugoslavia. He was appointed vice foreign minister not long ago.

### Botswana Official to Visit

OW0106073888 Beijing XINHUA in English  
0721 GMT 1 Jun 88

[Text] Beijing, June 1 (XINHUA)—Gaositwe K. T. Chiepe, foreign minister of Botswana, will pay a goodwill visit to China from June 10 to 15 at the invitation of the Chinese Foreign Minister Qian Qichen.

This was announced by the spokesman for the Chinese Foreign Ministry at a weekly press briefing here this afternoon.

### Japan's Speaker To Visit

OW0106075588 Beijing XINHUA in English  
0732 GMT 1 Jun 88

[Text] Beijing, June 1 (XINHUA)—Hara Kenzaburo, speaker of the House of Representatives of the Japanese diet, will pay a goodwill visit to China from June 9 to 16 at the invitation of the Standing Committee of the National People's Congress.

This was announced by a Foreign Ministry spokesman at a press briefing here this afternoon.

### Nonaligned Movement Holds Special Meeting

OW2705070688 Beijing XINHUA in English  
0143 GMT 27 May 88

[Text] Havana, May 26 (XINHUA)—A special meeting of the Non-aligned Movement (NAM) on disarmament opened here this afternoon, the first of its kind in the movement's 27-year history.

According to an announcement by Cuban Vice Foreign Minister Raul Roa, the five-day meeting, attended by representatives from more than 80 nations, will consolidate positions of NAM members for the Third Special Session of the UN General Assembly on Disarmament to be held in New York next month.

The participants, including 45 foreign ministers, will adopt a final document and an appeal. The drafts of the document will first be worked on by an expert panel, and then considered in sessions conducted at the ministerial level from May 28-30.

The special meeting was first proposed by Cuba, which has already worked out a draft of the main document to be discussed, according to press reports here.

A steadfast champion of disarmament, NAM has, since its inception, played a positive role in helping maintain world peace and promoting the process of arms reduction and control. The current special meeting is regarded to be of particular importance, coming as it does in the midst of increasingly louder calls for substantial disarmament and the prevention of a nuclear holocaust, and on the eve of the fourth summit meeting between U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev.

Sources close to the meeting say that the non-aligned countries will appeal for the two superpowers to discharge their special responsibility in bringing about a general and complete disarmament, and to reach an agreement on cutting their strategic arsenals by half at the earliest possible date.

They added that NAM will also reaffirm their traditional position in favour of a complete ban on nuclear testing and the prohibition of the use of nuclear weapons against non-nuclear states.



Along with nuclear disarmament, NAM will call for the limitation and reduction of conventional arms and troops and for naval disarmament.

It has been reported that in view of new developments, NAM will urge prohibiting the arms race from being extended into outer space, and call for the two superpowers to discharge their special responsibility in this regard.

Also of concern is the fact that the number of countries possessing chemical weapons has increased by four times in the past 25 years and such weapons have been used in the Gulf war, creating another serious international concern. NAM will call for the early conclusion of an international convention on the prohibition and the destruction of such weapons.

The NAM meeting will also address the problem of disarmament in relation to development and the establishment of a new world economic order. It will demand that the resources saved through disarmament be used for development.

#### Seeks Disarmament

OW2905235188 Beijing XINHUA in English  
0549 GMT 27 May 88

["News Analysis: Non-Aligned Movement Seeks Disarmament (by Chen Shengtao)" —XINHUA headline]

[Text] Havana, May 26 (XINHUA)—The special meeting of the Non-Aligned Movement (NAM), which opens here today, is the first of its kind ever to be held by the movement, but represents the latest of its steadfast efforts to bring about a cessation of the arms race and a substantial reduction of arsenals.

At the five-day meeting, representatives from 80 non-aligned nations will consolidate their positions on a wide range of issues for the third special session of the U.N. General Assembly devoted to disarmament next month in New York.

Since its inception in 1961, NAM has been vigorously working for the maintenance of international peace and security based on the peaceful coexistence of states with different political and economic systems. Its priorities include the prevention of war, nuclear war in particular, and disarmament and the dissolution of military blocs.

It was NAM that first proposed the convening of the first special session of the U.N. General Assembly on disarmament in 1978, at a time when the atmosphere of detente in the 70's was still in evidence.

At that session, the international community was for the first time able to reach a consensus on a comprehensive strategy for disarmament based on a set of principles and

an order of priorities in arms reduction negotiations. The ultimate objective was to achieve a general and complete disarmament under effective international control.

This time, as one of the press reports here indicates, the movement is ready to make further contributions to the success of the upcoming special session in New York.

The reason for NAM's dedication to peace and disarmament is obvious.

All 101 members of the movement are in the Third World, most of them newly independent. As a whole, they are concerned with assuming their rightful place in the international arena and achieving social and economic progress. This is only possible in a peaceful environment with normalized international relations.

Viewed from another perspective, the NAM member states, mostly small and relatively weak, are the most vulnerable.

The superpower rivalry, escalated by a frenzied arms race, not only poses a threat to the survival of mankind, but has sown distrust and enmity and created tension and conflicts in many parts of the world.

It is this rivalry that is responsible in one way or another for many of the 150 wars the world has witnessed since 1945, all of them in the Third World.

Figures released by the United Nations show that as many as 20 million people have been killed in these conflicts, not to mention the heavy material losses incurred.

Furthermore, in an international environment dominated by an arms race, normal international cooperation is bound to be distorted. For many of the NAM states, one constant worry has been the susceptibility of their fellow members to the superpowers' military-strategic considerations, a threat to NAM's non-bloc, anti-bloc principle.

Mainly because of the arms race between the two superpowers, the overall armament levels of the world have been greatly enhanced. Although the developing world only accounts for some 15 percent of the world's total military expenditure, which now stands at 1,000 billion dollars a year, it is still an unbearable burden for them. The result has been a slowing of development.

However, in their fervent pursuit of disarmament objectives, non-aligned nations have always stressed the need to establish a lasting peace and international security based on the prohibition of foreign aggression and domination and the respect for people's right to independence and self-determination.



**'News Analysis' of Meeting**  
*OW2705081488 Beijing XINHUA in English*  
*0135 GMT 27 May 88*

["News Analysis: Non-aligned Movement Pursues Development Through Disarmament (by Chen Shengtao)"]—XINHUA headline]

[Text] Havana, May 26 (XINHUA)—For many years the Non-aligned Movement (NAM) has been trying to address the problems of overarmament and underdevelopment as inter-related issues.

Press reports here disclosed that 80 members of the movement, which start a special session in Mexico today, will again deal with the issues as their major concerns.

The meeting is called to prepare NAM's positions for the upcoming third special session of the UN General Assembly devoted to disarmament, scheduled to be held next month in New York.

In the view of the movement, which is shared by many other countries, both overarmament and underdevelopment are threats to international security, and the arms race seriously hampers development, especially in the Third World.

Statistics show that global military spending, swelling steadily as the world situation worsened over the superpower rivalry, has doubled in the past 26 years to the tune of 1,000 billion U.S. dollars a year.

Although developing countries account for some 15 percent of the total, economically they are the hardest hit.

Experts said some of these countries spend as much as a third of their national incomes for military purposes.

This logically has added greatly to the economic problems which have been plaguing the developing world. A case in point is its external debt which has run up to more than 1,000 billion dollars while 1 billion people there are living in abject poverty.

If overarmament is addressed, a mere 1 percent of the yearly military expenditure thus saved will be sufficient for buying enough farm equipment to help countries now unable to feed themselves realize self-sufficiency in food.

NAM also believes that the economic and social consequences of the arms race hinder efforts to create a new international economic order, which, in return, will help promote a lasting peace.

In another aspect, NAM advocates continued effort to seek the use of resources released from disarmament measures for development purposes, in particular for the benefit of the developing world.

This position also enjoys support from not a few developed countries. Former Swedish Under Secretary of State Inga Thorsson had this to say: Disarmament would benefit countries of both the North and South. While developing countries would be the immediate beneficiaries of military resources converted to development purposes, industrialized countries would benefit greatly, too. An improved economic performance in the South would stimulate demand for goods in the North.

**XINHUA on Upcoming UN Disarmament Session**  
*OW2905090088 Beijing XINHUA in English*  
*1804 GMT 28 May 88*

["U.N. Third Special Session on Disarmament Begins Next Week (by Qian Wenrong, Wang Xianpeng)"]—XINHUA Headline]

[Text] United Nations, May 28 (XINHUA)—Next week's third special session on disarmament at the United Nations General Assembly will be the largest and most representative meeting of nations ever held to consider the question of laying down arms.

To be held at the UN Headquarters May 31 to June 25, it is attracting 25 heads of state and government, more than 100 government delegations, and more than 200 non-governmental organizations.

It has been six years since the second such gathering on disarmament. The world has witnessed considerable relaxation of East-West relations in recent years, and United States and the Soviet Union are holding their fourth summit meeting. The international community rightly expects this political climate will contribute to a successful session, thus giving further impetus to bilateral, multilateral and regional disarmament talks.

However, the world today is facing a paradox. On the one hand, Washington and Moscow signed the Intermediate Nuclear Forces (INF) treaty last December to eliminate all their intermediate and shorter range nuclear missiles. They are also negotiating a fifty-percent reduction of their strategic nuclear forces.

On the other hand, the arms race between the two major military powers is expanding into the outer space. They are also working on a new generation of nuclear weapons and a variety of launching vehicles.

The world as a whole spent more than a trillion U.S. dollars on arms last year. The speed of the arms race far exceeds that of disarmament.

For all these reasons, a lot of attention has been focused on the forthcoming special UN session in the hope that it will further rally world public opinion for some real progress in checking the arms race and speeding up the disarmament process.

In this connection, the session will discuss the effect of new science and technology on the arms race, in addition to general disarmament issues.

The delegates are also facing other contentious issues. The West generally favors conventional disarmament and strict verification procedures while the non-aligned countries tend to stress nuclear disarmament and the security of non-nuclear countries.

Because of these differences, the preparatory committee for the special session failed to agree on a draft of the final document even after three meetings. Intensive consultations are still going on regarding the agenda, priority topics of discussion and selection of sub-committee chairmen.

The non-aligned foreign ministers are meeting in Cuba to formulate a joint position and draft its version of the final document to serve as the basis for discussion at the session.

The leaders of Sweden, India, Greece, Argentina, Mexico and Tanzania are also expected to propose an integrated multilateral verification mechanism within the framework of the United Nations.

However, there are already opposing voices from some member states on grounds that a verification system should be developed for each disarmament treaty by the parties to that treaty or agreement. The superpowers, in particular, oppose any multilateral verification effort outside their own agreement.

UN officials, nonetheless, hope that an agreement which is acceptable to all countries can be hammered out.

Under Secretary General for Disarmament Affairs, Yasushi Akashi of Japan, told journalists recently that "there is willingness to face up to the issues and to identify the common interest among all."

He hoped that "a realistic and more balanced strategy" can be worked out that "will pinpoint the direction of multilateral disarmament and also delineate for us the primary areas of efforts in the future."

**Foreign Minister Departs for UN Arms Session**  
*OW2805091288 Beijing XINHUA in English*  
0833 GMT 28 May 88

[Text] Beijing, May 28 (XINHUA)—Chinese Foreign Minister Qian Qichen today urged the United States and the Soviet Union to shoulder "special responsibilities" for disarmament.

He made this appeal at the airport this morning prior to his departure for New York to attend the Third Special Session of the United Nations General Assembly on Disarmament.

Describing the background of the coming session, the Chinese minister said that the INF agreement was signed by the United States and the Soviet Union, some progress has been made in the 40-nation disarmament talks in Geneva, and the desire for disarmament by the world people has been growing.

Especially, the coming session is to be convened at a time when [the] Moscow summit between Reagan and Gorbachev takes place. "It is only natural for other countries to place hopes on the two countries," he said.

Representatives from more than 100 countries, including heads of state and government leaders, will attend the four-week session beginning May 31. Qian Qichen is scheduled to make a speech on July 2 at the capacity of the Chinese delegation head.

Qian spoke highly of the basic principles contained in the "final document" adopted at the First UN Special Session on Disarmament in 1978. Since that session, he said, disarmament has made headway thanks to the unremitting efforts by various countries and peace-loving people. "The tasks are still tough and require continuous efforts," he said.

Qian told XINHUA he will review in his speech at the special session the progress, difficulties, and questions in disarmament in the past ten years and expound China's stand on the issue.

He said that the Chinese delegation is willing to make concerted efforts with other delegations to make the special session a complete success.

The second special session on disarmament was held in 1982.

**Disarmament Document Submitted to UN Session**  
*OW0106061588 Beijing XINHUA in English*  
0539 GMT 1 Jun 88

[Text] United Nations, May 31 (XINHUA)—China today reiterated its call for the two superpowers to take lead in halting the test, production and development of all types of nuclear weapons and in drastically reducing and destroying their nuclear arsenals.

The call was contained in a working paper submitted by the Chinese delegation to the UN Assembly's third special session on disarmament today.

The document pointed out that a new trend has emerged in the arms race between the two superpowers, characterized by its extension into outer space and the shifting to quality improvement of weapons.

A new priority should be given to halting the arms race in outer space, it said, adding that the two superpowers should not test, develop, produce or deploy space weapons and should destroy all their existing weapons of this kind.

The paper emphasized that the United States and the Soviet Union, which possess the largest arsenals, bear a special responsibility for disarmament.

But disarmament should not be monopolized by a few big powers, and all states, big or small, enjoy equal rights to participate in discussions and settlement of the disarmament issues, it said.

The paper noted that since the second special session on disarmament in 1982, the people throughout the world have made unremitting efforts in opposing war and maintaining world peace. Progress has been made in bilateral and multilateral disarmament.

However, it said, the arms race between the two superpowers is still going on and the danger of war still exists.

It called on all nuclear states to undertake not to be the first to use nuclear weapons and not to use or threaten to use them against the non-nuclear-weapon states and the nuclear-free zones.

On such a basis, the paper said, an international convention should be concluded with the participation of all the nuclear states to ensure the complete prohibition and thorough destruction of nuclear weapons.

It said the two superpowers also bear a special responsibility for conventional disarmament and should negotiate in real earnest and reach agreement as soon as possible on the drastic reduction of conventional weapons.

The conventional weapons of all countries should only serve defensive purposes and must in no way be used for aggression and intervention against other countries, the paper said.

The document called for an early convocation of an international convention to ban and destroy all chemical weapons as well.

The United States, the Soviet Union and all other states possessing chemical weapons should pledge themselves not to use these weapons, the paper said.

It stressed that the role of the United Nations and that of multilateral disarmament machinery should be strengthened to promote and encourage all unilateral, bilateral and multilateral disarmament efforts.

**Qian Qichen Calls On UN's Florin**  
*OW3105182588 Beijing XINHUA in English*  
1757 GMT 31 May 88

[Text] United Nations, May 31 (XINHUA)—Chinese Foreign Minister Qian Qichen called on Peter Florin, president of the 42nd Session of the UN General Assembly, at the UN Headquarters here this morning.

The Chinese foreign minister expressed his hope that the UN General Assembly's third special session on disarmament would achieve positive results under the guidance of Peter Florin.

Florin said he is both optimistic and realistic about the special session which, he added, will surely be fruitful so long as common efforts are made by all delegations to the session.

When Qian said the Chinese delegation will present a working paper as part of its effort to make the special session a success, Florin expressed appreciation for China's longtime efforts in the realm of disarmament and the Chinese delegation's plan to present such a working paper.

Florin said he himself will make a 'political speech' at the special session.

Present on the occasion were Chinese Permanent Representative to the United Nations Ambassador Li Luye and Chinese Ambassador on Disarmament Fan Guoxiang.

Qian Qichen arrived in New York on May 28 as head of the Chinese delegation to the U.N. General Assembly's third special session on disarmament.

**Qian Qichen Calls On Japanese Prime Minister**  
*OW0106081788 Beijing XINHUA in English*  
0647 GMT 1 Jun 88

[Text] United Nations, May 31 (XINHUA)—Chinese Foreign Minister Qian Qichen today said Japanese Prime Minister Noboru Takeshita's visit to China in August will help promote Sino-Japanese relations.

Qian called on Takeshita at United Nations Headquarters this afternoon, and said the Chinese Government and people are looking forward to the visit which will also be conducive to the settlement of some problems existing between the two countries.

Qian conveyed to Takeshita the best regards of Premier Li Peng and other Chinese leaders. He also expressed appreciation the [as received] Japanese Prime Minister has shown his desire to see relations between Japan and China strengthened.

Also taking part in the exchange were Ambassador Li Luye, Chinese permanent representative to the United Nations, and his counterpart from Japan, Ambassador Hideo Kagami.

Qian is here to attend the third special session of the UN General Assembly on disarmament, which opened May 31.



**Qian Qichen Discusses Indian Border Issue at UN**  
*OW0106064088 Beijing XINHUA in English*  
 0615 GMT 1 Jun 88

[Text] United Nations, May 31 (XINHUA)—Chinese Foreign Minister Qian Qichen told his Indian counterpart today that the boundary issue between their two nations should be resolved through negotiations on the basis of mutual understanding and accommodation.

Qian met Indian Minister of State for Foreign Affairs K. Amatwara Singh at United Nations headquarters, and in reviewing the recent growth of Sino-Indian relations, the Chinese minister pointed out that the boundary problem has been left behind by history.

The two ministers agreed that while negotiations toward a settlement continue, efforts should be made to maintain peace in the border areas and to continue to develop relations in other areas.

The two officials are here to attend the special session of the UN General Assembly on disarmament which opened on May 31. Also attending their meeting were Li Luye, China's permanent representative to the United Nations, and his counterpart from India, Ambassador G. R. Gharekhan.

**Qian Qichen Speaks on Foreign Policy**  
*OW0106033088 Beijing XINHUA Domestic Service*  
 in Chinese 1615 GMT 31 May 88

[Text] New York, 31 May (XINHUA)—Chinese Foreign Minister Qian Qichen, who is in the United States to attend the Third Special Session of the UN General Assembly on Disarmament, today made a speech entitled "For a Better World" at the U.S. Council on Foreign Relations. In the speech, he discussed China's foreign policy on such issues as the world situation, disarmament, regional conflicts, the world economy, and Sino-U.S. relations.

Qian Qichen said: Now "there is a growing tendency toward peaceful settlement of international disputes." The signing of the INF treaty and the continued talks on strategic nuclear weapons have made progress in disarmament possible.

He pointed out: The danger of war still exists, but the forces of peace outnumber the factions preparing making for war, and hence there is the possibility of securing a fairly long period of peace.

Qian Qichen maintained: The world is moving to multipolarization. Militarily, no country can compare with the United States or the Soviet Union in strength. The nuclear weapons possessed by the United States and the Soviet Union are sufficient to destroy the world many times over, and the overwhelming majority of the countries do not have any nuclear weapons at all. People often say that there are five big nuclear powers in the

world. As a matter of fact, the total nuclear weapons possessed by the other three countries are less than five percent of the nuclear weapons in the world; and there is no comparison between the nuclear weapons of the other three countries and those of the United States and the Soviet Union. From another angle, however, the situation appears somewhat different. The size of the U.S. economy as opposed to that of the rest of the world is declining, and the Soviet Union has always had many difficulties with its economy; the gap between the United States and the Soviet Union is further widening. Even the Soviet leaders admitted that neither the Soviet Union nor the United States can command the world.

Qian Qichen said: "World multipolarization is a positive development. The world belongs to all countries. World affairs should be handled by the international community through consultation." He stressed that the views and interests of small and medium-sized countries should be respected. He said: "In such a big, diversified world, it is not good for a one or two countries to have the final say, nor it is good for a few countries to give the last word. Americans are fond of talking about democracy and human rights. In our view, democratization is badly needed in international relations, and the sovereignty of each and every country should be respected in the international community. Only in this way will our world become a better one."

On the disarmament issue, Qian Qichen said: "In spite of the progress made in the cause of disarmament, the arms race is far from coming to a halt. The upgrading of weapons is accelerating, and high technology is being extensively used for the development of new types of weapons. Existing strategic weapons have not yet been reduced, but new types of strategic weapons have already appeared. The arms race on earth has not come to a stop, but the arms race in outer space has already begun. No results have been achieved in the reduction of conventional weapons. It is of course no good if there are more weapons with more disarmament talks, nor will it serve the interests of peace if the weapons become more sophisticated with more such talks. Unremitting efforts should be made to achieve the ideal of disarmament."

He said: World peace and stability cannot be based on numerous and prolonged regional conflicts. He welcomed the beginning of the Soviet withdrawal from Afghanistan and pointed out that there remain a number of regional conflicts to be settled. Qian Qichen said: "Vietnam in particular is still stubbornly hanging on in Cambodia in disregard of the strong demand of the international community." "China maintains that a political settlement can only be based on the cessation of aggression, the withdrawal of foreign troops, and respect for the sovereignty of various countries."

Qian Qichen maintained that world peace and stability cannot be built on the widening gap in wealth between the North and the South. He called on the North to adopt

a farsighted policy to help the South with its development. He said: Practicing protectionism in trade may harm others as well as oneself. The world is of promise only when a road to common prosperity is followed.

Qian Qichen said: Sino-U.S. relations hold an important position in China's foreign relations. Sino-U.S. exchanges in various fields are steadily developing, and there are broad prospects for them. Maintaining and developing the friendly relations and cooperation between the two countries will be good not only for one side but for both sides as well as for world peace and development. He pointed out: However, "there are still obstacles, difficulties, and frequent interference" in the development of Sino-U.S. relations. Some people in the United States "always try to interfere in China's internal affairs in a bid to move Sino-U.S. relations along the lines of China accepting American values. This obviously will not work."

Qian Qichen called on people of various circles in the United States to "break with outmoded concepts and go along with the irresistible historical trends," so that Sino-U.S. relations will develop more smoothly.

**Qian Qichen Comments on Moscow Summit**  
OW3105193188 Beijing XINHUA in English  
1915 GMT 31 May 88

[Text] United Nations, May 31 (XINHUA)—Newly appointed Chinese Foreign Minister Qian Qichen told U.S. Cable News Network (CNN) today that "dialogue is certainly better than confrontation, but I expect no significant breakthrough from the Moscow summit."

He made the remark in an interview with CNN here this morning in reference to the summit meeting now going on between U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev.

Commenting on the UN General Assembly's third special session on disarmament, which will open here this afternoon, Qian Qichen said China attaches great importance to the convocation of the special session and it hopes that a fairly good document on disarmament will be adopted at the meeting.

In spite of some achievements in the area of disarmament in recent years, Qian said, "arms race continues, and regional conflicts persist. Therefore, the danger of war has not been eliminated and the task for disarmament remains arduous."

Responding to a speculation that some Western countries may seek a pledge by developing countries to cut military spending at the UN disarmament session, the Chinese foreign minister said China has taken some actions of disarmament on its own. In the past two years, China has reduced its armed forces by 25 percent and its military budget is only 5.5 billion U.S. dollars, that is, only five dollars in per capital terms.

The developing countries' right to self-defense should be ensured, Qian Qichen noted.

The Chinese foreign minister arrived in New York on May 28 to attend the UN General Assembly's third special session on disarmament.

**XINHUA 'Roundup' on USSR-U.S. Summit**  
OW0106052688 Beijing XINHUA Domestic Service  
in Chinese 0722 GMT 31 May 88

[Roundup: "First 2 Days of the USSR-U.S. Summit: The Atmosphere is 'Businesslike,' the Contradictions Are Sharp," by XINHUA reporter Shen Yiming]

[Text] Moscow, 30 May (XINHUA)—The Gorbachev-Reagan meeting has been going on for 2 days in Moscow. According to what the press spokesmen of the two sides said at a news briefing today for reporters from various countries, the meeting proceeded in "a businesslike [qiu shi 3061 1395] atmosphere" and "helped enhance" the understanding of each other's positions, and "certain progress" was made on some specific issues. The two leaders behaved politely and talked cheerfully and humorously when they appeared on public occasions. However, from their speeches made openly and the information released by their spokesmen at news briefings, the 2 days of meeting, generally speaking, have proceeded in a rather rigorous way. On some major issues, the two sides have had a tit-for-tat exchange of words, and their contradictions are still acute.

How so? Observers here have gained the above impression from three things.

First, at the Kremlin ceremony to welcome Reagan held on 29 May, Gorbachev and Reagan engaged in a battle of wits by elaborately quoting proverbs in their speeches, astonishing TV viewers who were watching the live relay of the ceremony. Referring to the fact that Reagan had constantly commented on the situation in the Soviet Union, Gorbachev quoted the proverb "it is better to see once than to hear a hundred times." Normally, this is a "neutral" proverb without any specific hints. However, amid the background that the Soviet side had recently taken exception to comments made by Reagan on numerous occasions on the human rights problems in the Soviet Union and that the Soviet side had complained of Reagan's insufficient knowledge about current realities in the country, Gorbachev obviously meant something by quoting the proverb. In his reply speech, Reagan quoted a proverb in Russian in return: "It was born, it wasn't rushed." And he supplemented this with the remark "we did not rush." Since the Soviet Union has on many occasions expressed intention to sign as soon as possible an agreement on the reduction of strategic weapons, Reagan's attitude of "no haste" would, of course, sound unpleasant. Later, when a reporter asked



Gorbachev to comment on Reagan's words, he replied: "I am always for progress." He said he liked another proverb better: "We need confidence, but it must be verified."

The small "proverb war" seems to show that Reagan now intends to solve the major issues in Soviet-U.S. relations "step-by-step," and Gorbachev, on the other hand, is not a negotiator who will easily give way.

The second thing that drew people's attention was that Reagan placed the human rights issue on the negotiating table the first day they met for talks. Outsiders are not clear as to how this problem was discussed in the inner sanctum, but the words used by the spokesmen of both sides at news briefings shed some light on the debate. While White House spokesman Fitzwater described the human rights issue as of "special importance," Soviet spokesman Gerasimov said that in raising this issue, the U.S. side injected into it the "propaganda and sensationalist factors" and was "very hypercritical." In addition to these fierce remarks, Reagan received a group of Soviet "dissidents" at his temporary official residence today and bolstered their morale. The Soviet side, not to be outdone, held a special press conference for four American Indians who had traveled to Moscow to demand human rights from Reagan. The United States tried to raise a fanfare about the Soviet human rights problem, while the Soviet Union made a big exposure of U.S. infringement on human rights, thus clouding the talks in the past 2 days with an atmosphere of discord, at least making the secondary supersede the primary on the agenda.

Third, people are interested in how much progress has been made in arms reduction—the no 1 topic in their relations—as a result of the 2 days of meetings. The overall situation disclosed by Soviet spokesman Gerasimov at today's news briefing is that up to now, the two sides hold "rather closer" positions on the question of supervision and verification of land-launched intercontinental ballistic missiles, and progress has been made on the questions of supervision over air-launched cruise missiles, exchange of information on the launching of intercontinental missiles, and the scope of verification of chemical weapons production. In their talks on a 50-percent cut in strategic nuclear weapons, however, there remains a substantial difference between them over abiding by the 1972 ABM Treaty and the questions of space weapons and sea-launched cruise missiles, which are main obstacles to the strategic weapons reduction at present. This is the key reason that they could not sign an accord on a 50-percent cut in strategic weapons during the current meeting. Even so, the two leaders have time and again expressed their desire to strive for the conclusion of such an accord within the remaining half year or so of President Reagan's term. However, the Soviet spokesman said today that this desire is in contradiction to Reagan's remark: "it was born, it wasn't rushed."

As two of the four rounds of talks planned for this Soviet-U.S. summit in Moscow are now over, whether the summit can pave the way for signing the accord on cutting strategic weapons and for further easing the relations between the two countries would depend on a reply to be made by the two leaders in their next two rounds of talks.

### 'No Major Breakthrough'

OW0106015388 Beijing XINHUA in English  
0123 GMT 1 Jun 88

["Roundup: No Major Progress Scored in Moscow Summit (by Shen Yiming)"] - XINHUA headline]

[Text] Moscow, May 31 (XINHUA) - When the Reagan-Gorbachev Geneva summit almost stalemated in the winter of 1985, Reagan suggested that he and Gorbachev knock on the table with their fists. Gorbachev agreed. As a result, they concluded their talks amicably.

Soviet leader Mikhail Gorbachev, before his third round of talks with visiting U.S. President Ronald Reagan today, recalled this episode and told reporters that perhaps it is again the time for them to knock on the table.

The mention of the episode is a sign that no major breakthrough has been made in the superpowers' negotiations on arms control, especially on the 50 percent reduction of their offensive strategic nuclear weapons. As well, little progress was reported in their discussion of conventional arms reduction in Europe.

However, Moscow and Washington did make some progress on some minor disarmament issues.

An agreement on joint verification experiment (JVE) and another agreement on advance notification of launches of strategic ballistic missiles were signed.

Under the JVE treaty, the two countries undertake not to conduct nuclear explosions of more than 150 kilotons, either for weapons testing or peaceful purposes.

Progress was also made in the verification of land-based mobile inter-continental ballistic missiles, a limitation on air-launched cruise missiles and the verification of the production of chemical weapons.

Both the Soviet and U.S. spokesmen, in a joint press conference today, refused to disclose any details of the Reagan-Gorbachev discussion on regional conflicts, saying only that things will be clear tomorrow.

Three days have passed since the Moscow summit. People might be disappointed at the result of the summit, as said by Soviet spokesman Gennadiy Gerasimov: "The measurement of progress is in big expectations. If you have big expectations, then it will seem to you that

the problems seem small." But it is still worth welcoming that both countries exercised certain restraint, carried out dialogue and did make some improvement in certain issues.

**Li Peng Meets International Seminar Participants**  
*OW3105121188 Beijing XINHUA Domestic Service  
in Chinese 1416 GMT 30 May 88*

[By reporter Jiang Lurong]

[Excerpts] Beijing, 30 May (XINHUA)—Li Peng, premier of the State Council, met with about 50 Chinese and foreign participants of an international seminar, called "China and the World in the Nineties," at Ziguanqge Pavilion in Zhongnanhai today, and exchanged views with them on China's ongoing economic reform and the world economic situation.

On behalf of the Chinese Government, Li Peng extended a welcome to the foreign scholars, experts, and celebrities attending the seminar.

He said: China's open policy and economic development is related closely to the world situation. The open policy calls for better mutual understanding between China and the world.

He said: The Chinese Government has high expectations for the seminar, hoping that it will make suggestions for China's economic reform and development.

While answering foreign guests' questions, Li Peng explained the target of China's economic development toward the end of this century, as well as briefed them on the progress in China's reform.

He said: Realization of the four modernizations is the fighting goal and the basis for unity of all Chinese people.

On the importance of scientific advances to economic development, Li Peng said: China attaches great importance to scientific research, especially the research of applied sciences that can boost productivity and economic efficiency.

Andreas Van Agt, former prime minister of the Netherlands and representative of the European Community to Japan, said that the mounting protectionism in Europe is detrimental to the economic development of Europe and China. Li Peng said that China has taken note of the situation. He called on Europe to open its market wider to the Chinese products to the benefit of both sides.

Li Peng said: China hopes to see a united, strong Europe. China has good relations with Europe in many fields, and Europe is China's major partner in economic and trade cooperation.

Van Agt spoke highly of the seminar and China's invitation of people from countries with different social systems to discuss Chinese affairs.

Li Peng told the foreign guests that China is working hard to improve its investment climate. He said: China's preferential treatment to foreign investors is no way inferior to that of other nations. In recent years, China has improved its communications and electric power supply. We will also strive to improve our work efficiency. [passage omitted on views of the foreign guests]

The seminar, which is sponsored by the Research Center for Economic, Technological, and Social Development under the State Council, opened in Beijing this morning. Participants have come from 10 countries, including China, Britain, the United States, Switzerland, Japan, Peru, and Nigeria. They will discuss the major trends and prospects of scientific and technological development, the current world economic structural changes and their effects, changes of energy resources and environment in the 1990's, and international political relations.

Among the Chinese participants are Ma Hong, secretary general of the State Council's Research Center for Economic, Technological, and Social Development, Huan Xiang, secretary general of China's International Studies Center, He Kang, minister of agriculture, and Tang Ke, chairman of the board of directors of China Kanghua Development Corporation.

**Official Calls For Vatican To Break Taiwan Ties**  
*HK0106093088 Hong Kong AFP in English  
0918 GMT 1 Jun 88*

[By Robert MacPherson]

[Text] Beijing, June 1 (AFP)—China's state-approved Roman Catholic Church Wednesday hailed Hong Kong's newly appointed cardinal as an old friend and renewed its call on the Vatican to cut diplomatic relations with Taiwan.

Bishop John Baptist Wu Cheng-chung, 63, was named Sunday by Pope John Paul II as Hong Kong's first-ever cardinal. He has long campaigned for negotiations to end a 31-year split between Beijing and the Holy See.

In an interview, Liu Bainian, spokesman for the China Patriotic Catholic Association, said a 1985 visit to China by Bishop Wu had improved relations between the Hong Kong and mainland churches.

"Bishop Wu is our friend, as well as our brother in Catholicism. We believe the affairs of the Hong Kong parish will gain new achievements under his leadership," Mr Liu said.

Asked if Bishop Wu's appointment would affect the current position with regard to the Vatican, Mr Liu noted that there had been no ties between China and the Vatican since 1957 when Beijing severed them and set up the patriotic association.

"If the Vatican ceases diplomatic relations with Taiwan and sets up diplomatic relations with the People's Republic of China, the relations between China and the Vatican will be improved," Mr Liu said.

"The main thing is for the Vatican to stop diplomatic relations with Taiwan and admit that the People's Republic of China is the only legal Chinese government," he said.

(In Hong Kong Tuesday, Bishop Wu said that mutual concessions would be needed to establish ties between the Vatican and Beijing but the leadership of the pope could not be compromised.

(The question would be how to establish ties "and not sacrifice principle ... a lot of things could be talked over and compromised, he said.)

Mr. Liu also reiterated demands that the Vatican promise not to "interfere" in domestic Chinese affairs.

The Chinese foreign ministry, asked for a reaction to Bishop Wu's nomination, said Wednesday: "It seems there is no connection between the appointment of the Hong Kong cardinal by the pope and Sino-Vatican relations."

Taiwan's Nationalist government continues to claim it is the sole legitimate ruler of all China, 39 years after Chiang Kai-shek and his troops retreated to the island after being defeated by the communists.

Western analysts said that the Vatican's recognition of the People's Republic would be a major diplomatic coup for Beijing, adding that in recent months there have been signs of an impending thaw.

In April, former Shanghai Archbishop Ignatius Gong Pingmei, 88, jailed for 30 years for his refusal to disavow the popes' authority, was permitted to fly to the United States to visit relatives there—a move that some observers interpreted as a gesture of goodwill towards the Vatican.

In November, Philippine primate Jaime Cardinal Sin indicated that China and the Vatican were heading towards restored relations. "I think we will come to an agreement," he said.

Pope John Paul himself has said he prays every day for "full communion" with China.

The China Patriotic Catholic Association claims 3.4 million adherents, practising their faith in more than 2,000 churches and chapels restored since the 1966-76 Cultural Revolution.

A similar number, who still recognise the Vatican, are believed to practice their faith in what are described as "underground" churches.

Shanghai is the biggest official diocese with 120,000 worshippers. Its Jesuit-trained bishop, Jin Luxian, is expected to meet Bishop Wu when he attends a seminar in Hong Kong this month.

### **United States & Canada**

#### **Cooperation on Water Resources Management** *OW2905025788 Beijing XINHUA in English* *1423 GMT 28 May 88*

[Text] Wuhan, May 28 (XINHUA)—A senior U.S. official said here on Friday that U.S. companies intend to cooperate with China on water resources management in future.

James Ziglar, assistant secretary of U.S. Department of Interior, said, "U.S. and China have much to share in the area. We have experience in building dams such as Grand Coulee, which is similar to the proposed Three Gorges project on the Yangtze River. We hope China can benefit from our experience. Conversely, we continue to learn as we assist China in developing its hydropower and water resources."

Ziglar was one of a delegation from the U.S. Bureau of Reclamation (USBR) and U.S. Geological Survey who have just finished a visit to China. Accompanied by Wei Tingcheng, commissioner of the Yangtze Valley Planning Office (YVPO) and Chen Jishen, director of the Yangtze Research Institute, the group went to Chongqing on May 23 and then on to Wuhan via the Three Gorges.

During their stay in Wuhan, the group visited the construction site of the 160m-high Geheyan Dam project on the Qingjiang River, one of the tributaries of the Yangtze River. They also visited the Gezhouba Dam Project, which is due for completion in September.

Wei Tingcheng, who was the chief designer of the Gezhouba Dam project, said that cooperation between China and the U.S. in hydropower and water resources has been very effective.

In addition to the USBR, the U.S. Corps of Engineers and some well-known U.S. engineering companies including the Morrison Knudsen Engineering Co., Harza Engineering and Kaiser Engineering, have all been involved in a study of the Three Gorges project.



## Soviet Union

### Contract System Could Work for USSR *OW2805081388 Beijing XINHUA in English 0549 GMT 28 May 88*

[Text] Moscow, May 27 (XINHUA)—A Soviet high-ranking official Wednesday praised China's contract and leasing system, saying it could be borrowed to help solve the acute food shortage in his country within two or three years.

In an interview with XINHUA, First Vice Chairman of the Soviet State Planning Committee Peotr Pesker said, "The food shortage could be basically solved if the Soviets follow China's contract and leasing system." The system has given an incentive to Chinese peasants to produce more agricultural products and food.

In recent years, Soviet citizens are increasingly complaining about the shortage of food and services in the country, which has been plaguing the Soviet economy for a long time.

Pesker said that during his recent visit to China, he was deeply impressed by the progress China has made in its agricultural reform and also by the food supply in its towns and cities.

In another development, the Supreme Soviet adopted on Thursday a law on cooperatives. The law, which will take effect on July 1, gives juridical and economic independence to cooperatives in the Soviet Union.

### Ulanhu Meets Soviet Friendship Delegation *OW2805152988 Beijing XINHUA in English 0600 GMT 28 May 88*

[Text] Beijing, May 28 (XINHUA)—Ulanhu, vice chairman of the Chinese National People's Congress Standing Committee, met a delegation from the Soviet People's Association for Friendship With Foreign Countries and the Soviet-Chinese Friendship Association here today.

The delegation is led by S.L. Tihvinsky, president of the Soviet-Chinese Friendship Association.

### Wang Meng Receives Soviet Writers Delegation *OW0106051288 Beijing in Russian to the USSR 1800 GMT 28 May 88*

[Text] Wang Meng, PRC minister of culture, met a Soviet delegation headed by Yuriy Dmitriyevich Chernichenko, publicist and secretary of the board of the USSR Union of Writers, on the afternoon of 28 May in Beijing.

He answered questions that were of interest to the guests, such as the characteristics of Chinese writers, the relations between the policies of broadening foreign ties and the four fundamental principles—education, cultural life, and health services in Chinese villages. [Only three "principles" listed]

Minister Wang Meng approved the very friendly contacts between the writers' unions of the two countries.

## Northeast Asia

### Qian Qichen To Meet Takeshita in New York *OW3105134788 Beijing XINHUA in English GMT 30 May 88*

[Excerpt] Tokyo, May 30 (XINHUA)—Japanese Prime Minister Noboru Takeshita left here today to start an 11-day visit to the United Nations in New York and Western Europe.

Before his departure, Takeshita told the Japanese media that he will deliver a speech at the United Nations session of disarmament Wednesday and clarify Japan's position on disarmament, the KYODO News Service said.

According to Foreign Ministry officials here on Tuesday, Takeshita will meet with Argentine President Raul Alfonsin, Chinese Foreign Minister Qian Qichen and UN Secretary General Javier Perez de Cuellar, while attending the UN disarmament session.

He is also scheduled to meet U.S. President Ronald Reagan in London on Friday to be directly briefed about the outcome of the U.S.-Soviet summit in Moscow. [passage omitted]

### Takeshita, Uno Meet Outgoing PRC Envoy *OW2705201888 Beijing in Japanese to Japan 0930 GMT 26 May 88*

[Text] According to a Radio Beijing Tokyo correspondent, Prime Minister Takeshita and Foreign Minister Uno yesterday [25 May] separately met with Mr. Zhang Shu, the outgoing Chinese ambassador to Japan.

Foreign Minister Uno said at the meeting that while Sino-Japanese relations are experiencing some problems in the course of development, the great majority of Japanese people strongly wish to see the continued growth of ties between the two countries.

Meanwhile, Prime Minister Takeshita, at his meeting with Mr. Zhang Shu, recalled his visit to China made in January last year as secretary general of the Liberal Democratic Party and his friendly talks with Chinese leaders during that visit. He said he is looking forward to meeting his old friends when he visits China again in August, the Prime Minister said.

**Macao Governor Arrives in Beijing for Visit**  
*OW2705104688 Beijing XINHUA in English*  
0529 GMT 27 May 88

[Text] Beijing, May 27 (XINHUA)—Governor Carlos Melancia of Macao and his wife arrived here by air this afternoon on a 5-day visit at the invitation of Chinese Vice Minister of Foreign Affairs Zhou Nan.

Melancia is the first Macao governor to visit Beijing since the Sino-Portuguese Joint Declaration on the Question of Macao was signed in April last year.

Melancia and his wife were greeted at the airport by Zhou Nan and his wife.

Zhou told reporters at the airport that he will hold talks with Melancia on issues of common interest, and director of the Hong Kong and Macao Affairs Office under the State Council Ji Pengfei will meet him.

The vice foreign minister said Melancia's visit will deepen mutual understanding and promote cooperation between the mainland and Macao, and help implement the Sino-Portuguese Joint Declaration on the Question of Macao.

It will also promote the stability and economic development of Macao during the transitional period, he added.

**Zhou Nan Hosts Banquet**  
*OW2805120588 Beijing XINHUA in English*  
1451 GMT 27 May 88

[Text] Beijing, May 27 (XINHUA)—The issue of Macao will be properly settled, said Chinese Vice Foreign Minister Zhou Nan at a dinner in honor of visiting Macao Governor Carlos Melancia and his wife here tonight.

The Sino-Portuguese joint declaration on Macao, which was signed a year ago, will be smoothly implemented in the transitional period so long as the two sides abide by the principles set in the joint declaration and act in the spirit of mutual understanding and mutual accommodation, Zhou said.

He added that consultations can be carried out through the Sino-Portuguese Joint Liaison Group and other diplomatic channels.

He noted that social stability and economic development in Macao in the past year have testified to the correctness of the Chinese Government's policies on Macao and proved the joint declaration a "very good" one.

He expressed appreciation of the governor's efforts to ensure Macao's economic development and social stability.

Zhou expressed the conviction that Melancia's current visit would help strengthen mutual understanding and cooperation for the continued stability and development in Macao.

In reply, Melancia said that his current visit, the first to Beijing since the signing of the joint declaration, in one way shows the importance Chinese leadership has attached to the question of Macao.

He told his hosts that the Portuguese President, Prime Minister, and the Macao Government all consider it necessary to take firm steps to ensure the smooth transfer of power in Macao on December 20, 1999, as set in the joint declaration.

The residents in Macao have great confidence in Macao's future, he added.

Melancia said that his discussions with Chinese officials will help deepen understanding, expand exchanges of views and information, and further the cooperation between Macao and the mainland.

Melancia arrived in Beijing at noon today.

**Meets Zhou Nan**  
*OW2905040688 Beijing XINHUA in English*  
0749 GMT 28 May 88

[Text] Beijing, May 28 (XINHUA)—Chinese vice-minister of foreign affairs, Zhou Nan, held talks today with visiting Macao Governor Carlos Melancia.

The three-hour talks at Diaoyutai, the state guesthouse, were "frank, friendly, pleasant, and harmonious," said Ambassador Kang Jimin, Chinese head of the Sino-Portuguese Joint Liaison Group, adding there were no differences.

Zhou noted Melancia is the first Macao governor to visit Beijing since the Sino-Portuguese joint declaration on Macao was signed in April last year and called the visit beneficial to promoting understanding and cooperation between both sides.

He said the joint declaration spelled out an unprecedented concept of "one country, two systems," and that this has been proven correct and the best way to solve both the Hong Kong and Macao issues.

The declaration stipulates that the social system in Macao will remain unchanged for 50 years, and said Zhou, "we will seriously abide by this stipulation."

He said both sides must make a concerted effort to implement the various articles in the declaration.



Cooperation needs more discussions, he said, and these may be carried out through the channel of the Sino-Portuguese Joint Liaison Group, ordinary diplomacy, or visits by the governor.

"We welcome the governor to visit China once a year and discuss problems when they appear so that economic development and political stability can be ensured during the transitional period," he said.

Zhou said Macao's economic development will be conducive to its political stability and so, too, the other way around.

Melancia said his government will strictly adhere to the declaration and added he and Portuguese leaders attach great attention to Macao's development and stability.

He said that to give the local economy a boost over the transitional period, Macao will start some big projects with the mainland's assistance and cooperation.

Zhou assured support and cooperation on anything that benefits Macao's economic development and stability in line with the Sino-Portuguese joint declaration.

#### Meets Li Peng

OW3005124788 Beijing XINHUA Domestic Service  
in Chinese 1316 GMT 28 May 88

[By reporter Huang Rirao]

[Text] Beijing, 28 May (XINHUA)—In his meeting with Macao Governor Melancia at Ziguangge, Zhongnanhai, this afternoon, Li Peng, premier of the State Council, said: China's policy toward Macao, like its Hong Kong policy, will not change.

Li Peng told Melancia: "China and Portugal enjoy a good relationship. The two countries have reached agreement on the Macao issue. China's policy toward Macao, like its Hong Kong policy, will not change. Macao is currently at a new historical stage. As its governor during this period, you are going to function quite differently from your predecessors. You not only have to govern and manage this area but also pave way for the transfer of political power. Yours is a very heavy task, and we are willing to help you and cooperate with you closely."

After the meeting, Macao Governor Melancia told reporters: "I am very happy to be received by the premier. This proves that high-level Chinese leadership supports the Portuguese Government in Macao until 1999, which gives me great confidence." He continued: Portugal and China will exchange views regularly and implement the joint declaration in harmony. He said: "I know my job is going to be very tough. However, with the joint declaration as my guideline, I have full confidence in carrying out my work. After the meeting with the premier, I am convinced that he is very supportive of my work, including Macao's development plan."

Also present at the meeting were Zhou Nan, vice minister of foreign affairs; Li Hou, deputy director of the Hong Kong and Macao Affairs Office under the State Council; and Valerio, Portuguese ambassador to China.

#### Holds News Conference

OW2905142188 Beijing XINHUA in English  
1257 GMT 29 May 88

[Text] Beijing, May 29 (XINHUA)—Visiting Macao Governor Carlos Melancia said here today that he believed the transfer of power of Macao in 1999 would be smooth.

Speaking at a press conference he gave this afternoon: Melancia said that during his current visit which is of political significance, he was impressed by the determination expressed by both sides to abide by the Sino-Portuguese Joint Declaration on the question of Macao.

"Thus we can be free of worry in carrying out large projects in Macao," he added.

It can be said with certainty that Macao will maintain its stability and development, he noted.

However, he also mentioned certain difficulties, including employing more local people as civil servants and making the Chinese language the legal language in Macao.

"Although these problems can hardly be solved in a short period of time," Melancia said, "they won't constitute an obstacle to the transfer of power of Macao as we have the support and cooperation of the Chinese side."

His visit reached its high point when he met Chinese Premier Li Peng, he said. And he is looking forward to meeting Chinese Minister of Foreign Economic Relations and Trade Zheng Tuobin and Communications Minister Qian Yongchang.

#### Localization a Key Problem

HK3005071088 Hong Kong SOUTH CHINA  
MORNING POST in English 30 May 88 p 2

[By Seth Faison]

[Text] Macao Governor Carlos Melancia told Chinese leaders in Beijing yesterday that localisation of the civil service and widening the official use of the Chinese language were the main difficulties in the enclave's transition to mainland rule in 1999.

Declaring his visit "a triumph of Sino-Portuguese relations", Mr Melancia told reporters that he had briefed leaders on the myriad problems involved in the hand-over of Macao.

In a meeting on Saturday, Mr Melancia informed Prime Minister Li Peng of Macao's aim to formulate a concrete plan, within three years, for localisation and the language shift for government, schools and courts.

Preparing the legal system for bilingual operation involved the daunting task of translating all existing laws into Chinese, he said.

Cantonese would definitely be the territory's official language along with Portuguese, he affirmed, to the surprise of many Macanese journalists who thought it would be Mandarin.

Mr Melancia brushed off questions about the scandal at government-owned Teledifusao de Macao (TdM), where two executives have been arrested while several others are being questioned over the alleged misuse of official funds.

"We have many small problems. TdM's were not included in the discussion of our main problems," said Mr Melancia.

When asked about Chinese reaction to his plans to decentralise government authority among department secretaries, Mr Melancia maintained that China had no interest in governing affairs that belonged to Portugal until 1999.

As for localisation, which has met a slower start in Macao than in Hong Kong, Mr Melancia said he expected complete success by the handover date in 1999.

"The Chinese understand that this can't be solved in one day; they also know the importance of the matter," he said.

Mr Melancia said Chinese leaders, including the head of the Macao and Hong Kong Affairs Office Ji Pengfei, supported three major infrastructural projects; the airport, an expanded port and the new bridge.

Construction is expected to begin on the multi-billion dollar airport this year, while the Hong Kong Government deliberates over the scale, timing and location of its own replacement airport.

Mr Melancia said the visit to Macao of Mr Ji and other officials had nothing to do with the formation of Basic Law committees, which will be arranged on the Hong Kong model.

He also quoted Mr Li as saying that the economic evolution in China would "merge with" that in Macao and Hong Kong in the future, so there would not be any adverse impact after 2049, when the "one-country, two-systems" policy was officially concluded.

Echoing the mainland's enthusiasm for foreign investment, Mr Melancia told Mr Li that Macao would be working out a long-term economic development program with a view towards absorbing foreign funds, the NEW CHINA NEWS AGENCY reported.

In a three-hour meeting with China's Vice-Minister of Foreign Affairs Zhou Nan, Mr Melancia discussed localisation, language and other issues pertinent to the transition.

Mr Melancia will meet Portuguese President Dr Mario Soares in Bangkok next month.

—Macao Crime Investigation Court Judge Manuel Celeiro has returned to Macao after a nine-day trip to Portugal to investigate the TdM scandal.

Judge Celeiro, who left Macao on May 19, told the Portuguese national news agency LUSA after his Lisbon trip that it was not necessary to take statements from Mr Melancia for the moment.

Judge Celeiro said his trip to Lisbon was "very fruitful" but declined to say how many people he interviewed. He also said he would be speeding up the procedures of the prosecution.

#### Meets Foreign Trade Minister

OW3105094788 Beijing XINHUA Domestic Service  
in Chinese 1444 GMT 30 May 88

[By reporter Huang Riyao]

[Text] Beijing, 30 May (XINHUA)—Minister of Foreign Economic Relations and Trade Zheng Tuobin and Macao Governor Melancia held talks this morning in the office of the Ministry of Foreign Economic Relations and Trade to discuss matters on the construction of large projects during the transitional period.

Melancia briefed Zheng Tuobin on his ideas about Macao's economic development during the transitional period, in particular the construction of an international airport and a deep-water dock. Zheng Tuobin said: We approve of building these two projects and will take an active part in their investment and construction.

Zheng Tuobin expressed the intention of expanding economic cooperation between the inland and Macao and supporting the latter's economic development. He said: We want to increase not only our exports to Macao but also our imports from Macao. In the meantime, we welcome Macao businessmen to come to the inland to make investments and we encourage inland enterprises to make investments in Macao.

This afternoon the Macao governor toured Tiantan Park. In the evening he hosted a banquet at the Portuguese Embassy for the Chinese officials concerned.

**Zheng Tuobin on Meeting**

OW3005090588 Beijing XINHUA in English  
0831 GMT 30 May 88

[Text] Beijing, May 30 (XINHUA)—The economic ties between the Chinese mainland and Macao are of great importance to Macao's prosperity and stability, a senior Chinese official said here today.

Zheng Tuobin, Chinese minister of foreign economic relations and trade, said that the mainland will strengthen economic cooperation with Macao in all forms.

Zheng made these remarks while meeting the visiting Macao Governor Carlos Melancia here this morning.

When told that the Macao Government is planning some big construction projects, Zheng noted the projects will benefit Macao both during and after the transitional period.

"They will not only benefit Macao but also the neighboring areas," he said, adding the mainland is willing to cooperate with the Macao Government in this regard.

The mainland has increased imports of local products and goods in transit from Macao in recent years, Zheng noted.

"We hope to further develop bilateral trade and expand export to Macao," he added.

"We want to see more investment on the mainland coming from Macao and the other way round too," he said.

He reiterated China's long-term policy of absorbing foreign capital during the 50-minute meeting. In order to attract more foreign investment China, he said, the Chinese Government has made great efforts to improve the investment environment by perfecting legislation and taking concrete measures.

"In fact," he went on, "the investment environment in China, especially in its special economic zones, has been much improved over the past few years."

Melancia, while recalling his meeting with Chinese Premier Li Peng, said that it is "encouraging" that Chinese leaders attach great importance to the economic cooperation between the mainland and Macao.

He said that to exchange views with the Chinese leaders is something indispensable and accords with the principles set in the Sino-Portuguese Joint Declaration.

**Meets Qian Yongchang**

OW3105101188 Beijing XINHUA in English 0732  
GMT 31 May 88

[Text] Beijing, May 31 (XINHUA)—Qian Yongchang, minister of communications, met with Macao Governor Carlos Melancia here today.

The two sides exchanged views on the construction of Macao Port and international airport as well as matters concerning the linking of Macao's international airport with the inland's highways.

The meeting was followed by a luncheon given by Qian in honor of Melancia, his wife and their party.

**Zhou Nan Talks With Goncalo Cesar de Sa**

**On Coastal Area Cooperation**

OW3105023388 Beijing XINHUA in English  
0142 GMT 31 May 88

[Text] Beijing, May 31 (XINHUA)—China's Vice-Foreign Minister Zhou Nan just said Macao can play a role similar to Hong Kong in economic cooperation with the mainland's coastal areas.

"If successful, this cooperation can be very important," Zhou said, adding further economic contact and cooperation between Hong Kong, Macao and the mainland's coastal areas will be reciprocal and promote economic development for all involved.

Zhou made this comment in an interview with Goncalo Cesar de Sa, director of the Macao branch of the Portuguese news agency yesterday.

Zhou maintains Hong Kong and Macao, both of which are free ports and international cities, have strong economic ties with the rest of the world, and both regions boast lots of capital, good managerial expertise, well-developed information exchange systems, and extensive trade networks.

China's coastal areas are rich in natural resources and inexpensive labor, Zhou said, with the big labor force in these areas better educated and more professionally-trained than workers in other parts of the country.

This part of the mainland is also more developed in certain areas of scientific and technological research, Zhou said, adding by combining the advantages of both sides, the mainland, Hong Kong and Macao can all see significant economic returns.

Zhou mentioned good results have already been scored in cooperative projects between Hong Kong and Guangdong Province during the past two years, with both sides satisfied and agreeing there is still potential for more cooperation.



According to Zhou, Macao's development in the first year of its transitional period has been positive, with both the Chinese and Portuguese sides earnestly and positively following the Sino-Portuguese joint declaration on Macao.

"We are pleased Macao has enjoyed social stability and continued to be economically prosperous during the past year," Zhou added.

Zhou said he believes as long as both the Chinese and Portuguese Governments continue to follow the joint declaration, Macao will continue to enjoy social stability and economic prosperity.

To date, the vice-minister said, all negotiations between the two sides on carrying out the joint declaration have been successful, including the first meeting of the Sino-Portuguese Joint Liaison Group, which was set up in line with the joint declaration.

The land groups of China and Portugal are also holding regular meetings in Macao and are working well together, Zhou said.

"We still have more areas for negotiation, including high-level diplomatic contacts," Zhou said, adding Macao Governor Carlos Melancia's visit has also been called a success.

"The key to successful cooperation is continued mutual trust and understanding," Zhou said, "and regular contacts and negotiations are conducive to strengthening this trust and understanding."

Zhou made the proposal Carlos Melancia visit Beijing once every year, which Melancia enthusiastically supported.

When asked by Goncalo Cesar de Sa to a comment on the focus of the Macao Government's work Zhou said, "according to the joint declaration, the Macao Government will be in charge of administration during the transitional period, and the Chinese Government will offer support."

Mentioning Macao's economic development plan spelled out by the Macao Government Zhou said, "the Chinese Government supports plans which will facilitate Macao's economic development and prosperity, as long as they are feasible."

Goncalo Cesar de Sa asked Zhou's opinion on how to solve Macao's gambling problem and Zhou replied, "we have stated in the joint declaration, no matter what it may be like in Hong Kong or Macao, the life style will remain unchanged and we will not interfere."

### On Macao Basic Law

OW3105020788 Beijing XINHUA in English  
0041 GMT 31 May 88

[Text] Beijing, May 31 (XINHUA)—The future Macao Basic Law can be formulated by consulting, but not completely copying, the Hong Kong Basic Law which is now being drafted, Chinese Vice-Foreign Minister Zhou Nan said here May 30.

Answering questions by Goncalo Cesar de Sa, director of the Macao branch of the Portuguese news agency, Zhou said that the Chinese government's basic policies for Hong Kong, Macao and even Taiwan are identical, namely, to realize the reunification of the motherland in accordance with the principle of "one country, two systems."

In the light of this concept, Zhou went on, special administrative regions will be set up respectively in Hong Kong and Macao in 1997 and 1999, with the existing social economic system of capitalism unchanged within 50 years.

Except for the defence and diplomatic affairs which will be in the hands of the central government, he said, the two regions will enjoy a high degree of autonomy, with the local residents administering their own affairs.

He said that the Sino-British joint declaration on Hong Kong will be taken as the basic contents of the future Hong Kong Basic Law.

"Likewise," Zhou continued, "I believe that the future Macao Basic Law Drafting Committee will absorb the basic contents of the Sino-Portuguese Joint Declaration on Macao into the Macao Basic Law."

In this sense, he said, the Hong Kong Basic Law which is now being drafted will be of valuable reference to future Macao Basic Law.

Zhou said, "Of course, there are certain differences between Hong Kong and Macao.

"When we draft the Macao Basic Law, we should take the differences into consideration and take a scientific, objective and realistic attitude, refrain from completely copying the Hong Kong Basic Law."

As for the formation of the future drafting committee for the Macao Basic Law, Zhou said, "the formation, as that of the Hong Kong Basic Law Drafting Committee, will be decided by the Standing Committee of the Chinese National People's Congress in line with our laws and regulations. So far, the Standing Committee has not yet gone into details of this question."

Zhou said, "Personally, I think we stand for the 'Macao people administering Macao' after 1999, namely all the permanent residents in Macao will run the Macao affairs."

He said that of the present population of 500,000 in Macao, the overwhelming majority are Chinese, and about 7,000 to 8,000 are of Portuguese descent.

The Chinese Government hopes to see those Portuguese who have lived in Macao from generation to generation will continue to stay there and contribute to local economic and social development, he said.

"We hope to see that in future society in Macao, all people, Chinese residents or Portuguese descent, will live and cooperate in unity, constitute a harmonious society and joint their efforts to build up Macao."

He said he thought it is not a bad thing to include representatives of Portuguese descent in the Macao Basic Law Drafting Committee. "But, I'm not vested with the decision power," he added.

Asked to comment on the forthcoming election of the legislative council in Macao, Zhou quoted the Sino-Portuguese joint declaration as saying that during the transitional period the Portuguese Government will be responsible for the administration of Macao.

The Chinese side will not object to all those specific measures adopted by the Macao authorities which do not hinder the smooth transfer of political power in 1999 or contradict the future Macao Basic Law, he said.

If the Portuguese government plans to make some drastic changes in Macao during the transitional period, Zhou said, "we hope consultations will be held through the Sino-Portuguese joint liaison group or even diplomatic channels at a higher level, thus ensuring the stability in Macao."

He said the maintenance of social stability and economic prosperity in Macao during and after the transitional period accords with the common interest of China and Portugal and the fundamental interest of the Macao residents.

With regard to future democracy and political system in Macao, Zhou said these issues will be considered by the future Macao Basic Law Drafting Committee and the Chinese National People's Congress Standing Committee.

He also mentioned the possibility of establishing a Macao Basic Law Consultative Committee.

**South Korean Company Wins Debt Claim in Qingdao**  
*HK3105002388 Hong Kong SOUTH CHINA MORNING POST in English 31 May 88 pp 1-2*

[By Seth Faison in Beijing]

[Text] A Chinese court in the port of Qingdao has ruled in favour of a South Korean shipping company, marking a major breakthrough in Sino-South Korean relations.

Qingdao Maritime Court, in accepting a claim by a South Korean company, Sewon Shipping Company, was the first court in China to recognise the legal standing of a South Korean company, which applied directly through a Shanghai law firm.

Last week, the court ruled that a ship docked in Qingdao and owned by Indonesia-based Ghama-Sentosa, which is in debt to Sewon, would be auctioned off.

The proceeds will go to the South Korean company.

The crew, stranded in Qingdao since the ship was arrested last month, have also filed for a portion of the proceeds, apparently to cover unpaid wages.

Neither South Korea nor Indonesia has diplomatic relations with China, but Qingdao's recognition of the South Korean claim is the latest in a series of moves by China towards improving ties with South Korea.

Despite China's continued alliance with North Korea, leaders recognise an enormous trade potential with the prosperous end of the Korean peninsula, which lies only a few hundred kilometres from Qingdao.

In the view of international lawyers, the court's move also represented a step forward in China's professed aim of adhering to the rule of law in court and international standards in ports.

"China is certainly coming up to speed in maritime affairs," said Mr Malcolm Kemp, a maritime specialist with Baker and MacKenzie in Hong Kong.

Mr Kemp described the Korean claim as "highly unusual".

He said he could remember only one previous arresting of a foreign ship in China, last year in Shanghai.

The acting marshal for the auction, Mr Ji Guizhi, contacted in Qingdao by telephone yesterday, confirmed that Sewon had applied directly through a lawyer in Shanghai.

A second application, for recovery of the funds, is expected shortly.

The ship's crew had also applied for funds and they would receive priority, Mr Ji said.



According to international practice, the company arresting a ship is normally responsible for repatriating the crew.

But they and other creditors to the ship have been invited by the Chinese to register with the court within 60 days.

A spokesman in the Ministry of Justice offered no comment on the action, but international lawyers said a matter involving South Korea was probably considered at the highest levels of the Chinese government.

Within two days, the court decided that the ship, Las Salinas, which had been sailing under a Panamanian flag, be arrested until the Indonesian owner provided a guarantee for its debts.

Rather than operating under a third party in Hong Kong, Japan or Singapore, as has previously been done with incipient China trade, the South Korean company dealt directly with its Shanghai-based lawyer.

Mr Ji declined to give the name of the law firm.

"Call me back tomorrow," he said.

After a month, with no such money forthcoming, the court referred to a civil law that stipulates that property held by the government can be sold.

### Southeast Asia & Pacific

#### Burma's Thura U Tun Tin Continues Visit

##### Wu Xueqian Hosts Banquet

BK2705134988 Beijing International Service in Burmese 1130 GMT 27 May 88

[Text] Chinese Vice Premier Wu Xueqian met with Thura U Tun Tin, Burmese deputy prime minister and minister of finance and planning, and his delegation at the state guesthouse yesterday and hosted a banquet in their honor.

Wu Xueqian and Thura U Tun Tin spoke highly of Sino-Burmese friendship at the meeting and banquet.

Wu Xueqian said that the mutual visits between Chinese and Burmese leaders have contributed to the bilateral friendship. He said Chairman U Ne Win had visited China 12 times while Premier Zhou Enlai visited Burma 9 times. Chinese leaders Liu Shaoqi, Deng Xiaoping, and Li Xiannian and Burmese President U San Yu had also exchanged visits.

Thura U Tun Tin said the development of Burma-China relations was the result of the far-sightedness of the two countries' leaders and that Sino-Burmese friendship is well recognized in Asia.

Wu Xueqian said that the bilateral economic and technological cooperation between the two countries is progressing smoothly and has shown good results. He added that the volume of bilateral trade had increased greatly and reached an all-time high last year. He said achievements had been made in bilateral cooperation in the oil industry and that exchanges between the youth organizations and trade unions of the two countries have opened up new avenues for friendly exchanges.

U Tun Tin cited industrial projects, a stadium, a theater, and a rail bridge across Rangoon River as the PRC's gift of friendship and economic assistance to Burma. He expressed hope that this cultural and economic assistance will contribute to a lasting bilateral friendship.

Speaking on the problem of external debt, Thura U Tun Tin said that Burma's external debt was now U.S.\$4 billion due to appreciation of the Japanese yen and West German mark. He said he and Wu Xueqian shared the view that both the creditor and debtor countries are responsible for the debt problem.

Wu Xueqian said that Chairman U Ne Win said in August last year that it was necessary to carry out changes in accordance with the conditions in Burma and that the Burmese Government had carried out various arrangements. He extended his sincere good wishes for the Burmese people to continuously achieve success in their march forward.

Wu Xueqian added that China wants to work with Burma for regional and world peace and to expand trade and technical cooperation between the two countries.

##### Meets President, Wang Zhen

BK2805130588 Beijing International Service in Burmese 1130 GMT 28 May 88

[Text] Chinese President Yang Shangkun and Vice President Wang Zhen yesterday met with Thura U Tun Tin, Burmese deputy prime minister and minister of finance and planning.

President Yang Shangkun said that the Sino-Burmese relationship is a model of good neighborly relations and that the friendly relations had been nurtured by the Burmese leaders and veteran Chinese leaders.

Vice President Wang Zhen said that the people of China and Burma have a long history of kindred friendship and that the two countries share common interests, help each other, and have no outstanding disputes.

Deputy Prime Minister Thura U Tun Tin said that he extended greetings to Yang Shangkun on his appointment as president on behalf of Chairman U Ne Win, President U San Yu, and Prime Minister U Maung Maung Kha. On behalf of President U San Yu he also extended an invitation to President Yang Shangkun to visit Burma.

President Yang Shangkun thanked the Burmese leaders for their greetings and asked to extend greetings to the Burmese leaders from Deng Xiaoping, Li Xiannian, Deng Yingchao, and himself. President Yang Shangkun accepted President U San Yu's invitation with pleasure and said that visiting Burma would be like visiting one's relatives as China and Burma have very friendly ties.

He added that he extended an invitation to President U San Yu to visit China and he would visit Burma after President U San Yu has visited China.

President Yang Shangkun also briefed the Burmese visitors on China's situation. He said that since the holding of the 3d Plenum of the 11th Central Committee a method had been found for the economic development of China which is suitable to China's conditions. He said that China had successfully solved the problem of leadership changes thereby ensuring the continuous application of existing policies. He said that China is a big country as well as a poor country and that acceleration of economic development remains a major problem.

He said it is necessary to maintain the open-door policy in carrying out domestic reforms. He said that although there are problems in carrying out reforms it is necessary to take risks. He added that Comrade Deng Xiaoping had recently stated that in taking risks, it is necessary to have firm resolve and to have a good policy. He said that in carrying out policies of reform it is impossible to avoid mistakes. However, it is hoped that there will be no major mistakes.

Deputy Prime Minister Thura U Tun Tin said that President Yang Shangkun's words were very important and that he would present the matter of the invitation to visit to President U San Yu. He expressed the hope that bilateral relations based on the five principles of peaceful coexistence would continue to develop.

#### **Meets Li Peng**

*BK2805132388 Beijing International Service  
in Burmese 1130 GMT 28 May 88*

[Text] Chinese Premier Li Peng met with Thura U Tun Tin, Burmese deputy prime minister and minister of finance and planning, in Beijing yesterday. At the meeting, Li Peng said that the people have many complaints about extravagant building projects, including expensive houses, office buildings, meeting halls, hotels, and guesthouses. He said that there would be substantial cuts in construction projects beginning with Beijing. He said the money saved from in this way would be used to improve education and the people's livelihood.

On behalf of the Chinese Government, Premier Li Peng welcomed Deputy Prime Minister Thura U Tun Tin.

Deputy Prime Minister Thura U Tun Tin congratulated Li Peng on his election as premier and extended greetings to him from Chairman U Ne Win, President U San

Yu, and Prime Minister U Maung Maung Kha. Premier Li Peng accepted with pleasure the invitation Thura U Tun Tin extended to him on behalf of Prime Minister U Maung Maung Kha to visit Burma.

Briefing the Burmese visitors on China's reforms, Premier Li Peng said that price reform is a key to the reform program and that it is necessary to take into account the law of prices. He said the prices offered by the government for crops and pork were so low that the peasants were not enthusiastic about contributing to crop production. Hence, it is necessary to adjust prices. He said the price reform may affect the interests of some people, but it is hoped the problem will be solved by introducing subsidies and wage increases. He said that China will continue its necessary but risky price reform.

Deputy Prime Minister Thura U Tun Tin said that Sino-Burmese relations have reached to a new high in recent years and that efforts would be made to further develop bilateral relations in generations to come.

#### **Meets Qiao Shi**

*OW2805152088 Beijing XINHUA in English  
0700 GMT 28 May 88*

[Text] Beijing, May 28 (XINHUA)—Qiao Shi, Standing Committee member of the Political Bureau of the Chinese Communist Party Central Committee, met here today U Tun Tin, Burmese deputy prime minister and minister of planning and finance.

During the meeting, Qiao thanked Tun Tin for the warm reception accorded him during his visit to Burma in June last year.

Both Qiao and Tun Tin expressed the wish that the Chinese and Burmese peoples will continue their friendship from generation to generation.

Tun Tin also met here this morning Wang Guangmei, widow of the late Chinese President Liu Shaoqi.

#### **Departs From Beijing**

*OW2905123888 Beijing XINHUA in English  
1223 GMT 28 May 88*

[Text] Beijing, May 28 (XINHUA)—U Tun Tin, deputy prime minister and minister for planning and finance of Burma, left Beijing tonight for a tour of the Inner Mongolian Autonomous region and Tianjin before returning home.

Prior to his departure Chinese Vice-Premier Wu Xueqian bid him goodbye at the Diaoyutai State Guesthouse.

### **Visits Inner Mongolia**

*OW3005190188 Beijing XINHUA in English  
1110 GMT 30 May 88*

[Text] Hohhot, May 30 (XINHUA)—U Tun Tin, Burmese deputy prime minister and minister for planning and finance, watched a horsemanship performance at a horse-racing ground, China's largest, in this capital of the Inner Mongolia Autonomous Region today.

The Burmese official and his colleagues arrived here Sunday and visited a color tv center, a children's center, a textile mill and the regional exhibition center.

The visitors are scheduled to return to Beijing tomorrow.

### **Bu He Hosts Banquet**

*BK3005131288 Beijing International Service  
in Burmese 1130 GMT 30 May 88*

[Text] Bu He, chairman of the Nei Mongol Autonomous Regional People's Government, held a banquet for Thura U Tun Tin, deputy prime minister and minister of planning and finance of Burma, and his entourage in Hohhot yesterday evening.

Addressing the banquet, Chairman Bu He said: We still remember Chairman U Ne Win's visit to Inner Mongolia 11 years ago. Today, the Inner Mongolian region has become a major base providing China with rare earth, iron, steel, fuel, livestock, and wool. Our region has trading ties and technical cooperation with over 60 world nations and regions. It has concluded over 150 agreements and contracts, and contacts with foreign countries continue to grow with time.

Deputy Prime Minister Thura U Tun Tin said: I have had a longstanding wish to visit Inner Mongolia. According to the Burmese, British, and European historians, the Burmese race has its origins in the Mongolian race, and I wanted to see it personally. Genghis Khan and Kublai Khan were great heroes in Mongol history, and I am happy to visit here.

U Tun Tin, while praising the cleanliness of Hohhot city with its huge structures, also said the verdant and pleasant scenery befits the name of that city. He also wished for the prosperity of Nei Mongol region and for the perpetuity of Sino-Burmese kindred friendship.

### **Leaves For Tianjin**

*SK0106040688 Hohhot Inner Mongolia Regional  
Service in Mandarin 2200 GMT 31 May 88*

[Text] After winding up his 2-day visit to the region, U Tun Tin, deputy prime minister of Burma and concurrently minister of Planning and finance, left Hohhot for Tianjin by plane on the morning of 31 May to continue on his visit. Seeing him off at the airport were Bu He,

chairman, Pei Yingwu, vice chairman, and Zhou Junqiu, secretary general of the regional government; as well as Jia Cai, mayor of Hohhot City.

During his stay in the region, Deputy Prime Minister U Tun Tin was warmly received wherever he went. [passage indistinct] After viewing the performances staged by children at the Hohhot Children's Palace, he happily said: Very good, very good.

On the morning of 30 May, accompanied by (Bai Yun), director of the regional Foreign Affairs Office, and (Li Wenchang), deputy director of the office, Deputy Prime Minister U Tun Tin and his entourage viewed a horsemanship performance at a racetrack. Then, they drove to (Xinganmuren) pasture in Darhan Muminggan Joint Banner for a visit. When they drove to the place where Wuchuan County and Darhan Muminggan Joint Banner meet, they were awaited by responsible persons of Ulanqab League and Darhan Muminggan Joint Banner. A couple of youths in national costume presented ceremonial silk scarves to the guests. That very afternoon, they viewed performances by the Ulanmuqi performing troupe and a wrestling exhibition. That evening, accompanied by Bu He, chairman, Pei Yingwu, vice chairman, and Zhou Junqiu, secretary general of the regional government, and by Jia Cai, mayor of Hohhot City, Deputy Prime Minister U Tun Tin watched a special performance staged by the Inner Mongolian song and dance troupe. After the performance, Deputy Prime Minister U Tun Tin and his entourage went onto the stage to pose for a picture with the performers.

### **Near East & South Asia**

#### **Pakistani Reporter Interviews Yang Shangkun**

*OW3105234288 Beijing Television Service  
in Mandarin 1045 GMT 30 May 88*

[Text] Yang Shangkun, president of the state, gave an interview to a reporter from the Pakistani National TV Station on the morning of 28 May at the Great Hall of the People.

[Begin Recording] [Reporter] Mr President, Sino-Pakistani relations are described as exemplary relations of friendship. What are your comments on this friendship?

[Yang Shangkun] China and Pakistan are neighbors bordering on each other. We often say that our relations are an unique example of good neighborliness and friendship. Our relations are marked by mutual trust and assistance, and we share identical views on a wide range of international issues. Our sincere friendship, which has long been tested, has a solid foundation.

[Reporter] Mr President, China has had a number of projects where it has given valuable assistance to Pakistan. China and Pakistan are now cooperating in many fields. In your opinion, what steps should be taken to further the cooperation between the two countries?



[Yang Shangkun] We consistently hold that assistance is mutual rather than one-sided. When we say China has helped Pakistan, we should also say that Pakistan has helped China as well. So, in the future, our two countries should further develop our cooperation on the basis of mutual trust, mutual benefit, and equality. I feel that there are bright prospects for the two countries to develop their cooperation in various fields.

[Reporter] Mr President, China has all along supported Pakistan's position toward the Afghan issue. What is your opinion about Pakistan's efforts toward the settlement of this issue? What role will Afghanistan play after the withdrawal of Soviet troops?

[Yang Shangkun] The Soviet occupation of Afghanistan has gone on for more than 8 years. The indirect talks in Geneva has also been carried out for nearly 6 years. Now an agreement has been finally reached on settling the Afghan issue. This is a victory of the Afghan people in resisting and opposing foreign aggression. Of course, it is also a victory of justice-upholding people in the world in opposing unjust aggressive acts. I think Pakistan has played a very prominent role in this regard because the Pakistani Government has consistently upheld justice and opposed aggression. In addition, Pakistan has made great efforts to provide humanitarian assistance to millions of Afghan refugees. It is our hope that after the withdrawal of Soviet troops from Afghanistan, a government acceptable to all parties will be established. This government should be sovereign, independent, neutral and nonaligned. It should maintain friendly relations and cooperate with its neighbors and enable the millions of Afghan refugees to return home with dignity. I want to emphasize again that Pakistan has played a prominent role in the settlement of the Afghan issue.

[Reporter] What role will China play toward developing countries? What kinds of assistance can China give them?

[Yang Shangkun] China is also a developing country. We feel that the development of South-South cooperation should be promoted. Here, I think China and Pakistan can make some joint efforts. We can supplement each other and promote each other's development. Of course, China is still an underdeveloped country; but, I think that with the growth of our economic strength, we can gradually increase our assistance to the backward Third World countries. [end recording]

**Qian Qichen Greets Omani Counterpart**  
*OW3005192688 Beijing XINHUA Domestic Service  
in Chinese 0045 GMT 24 May 88*

[Text] Beijing, 24 May (XINHUA)—Chinese Foreign Minister Qian Qichen sent a cable to Yusuf ibn al-Alawi 'Abdallah, minister of state for foreign affairs of the Sultanate of Oman, today on the 10th anniversary of the establishment of diplomatic relations between China and Oman.

The cable says: "The establishment of diplomatic relations has ushered in a new era in the history of friendship between China and Oman. With the kind concern of the leaders of the two countries, satisfactory results have been achieved in the friendly and cooperative relations based on the five principles of peaceful coexistence. China and Oman share identical views on a wide range of international questions and have achieved fruitful results in the economic and trade relations."

The cable expresses the belief that with the joint efforts of the two countries, Sino-Omani friendly and cooperative relations will be further strengthened and developed.

According to reports, 'Abdallah, Omani minister of state for foreign affairs, has also sent a letter of congratulations to Chinese Foreign Minister Qian Qichen on the 10th anniversary of the establishment of diplomatic relations.

**CPC Politburo Meeting Stresses Economic Reform**  
*OW0106110488 Beijing XINHUA Domestic Service  
in Chinese 0653 GMT 1 Jun 88*

[Text] Beijing, 1 Jun (XINHUA) — The Political Bureau of the CPC Central Committee held its Ninth Plenary Session in Beijing from 30 May to 1 June to discuss the current nationwide reform and economic development.

The session holds that China's reform has entered a crucial stage. In the past 9 years, we have scored big advances and remarkable results in the reform. Along with the deepening of reform, we are confronted with a number of rather difficult and unavoidable problems. Experience at home and abroad shows that the longer we procrastinate in solving such problems, the more difficult they will become. There are risks in our reform. However, without moving forward, we shall fall behind and find no way out. We must grasp the historical opportunity, further implement the principle adopted by the 13th CPC National Congress on accelerating and deepening reform, and advance courageously in order to resolutely and prudently tackle unavoidable problems in our reform.

The session points out: It is necessary to give overall consideration and map out systematic plans for price and wage reform. In developing a socialist commodity economy, we must do things according to the law of value and straighten out irrational price relations. In order to straighten out commodity prices, it is necessary to solve the wage problem which is closely related to prices. Price and wage systems reform should be conducive to rationalizing relations and promoting production while improving gradually the living standards of the majority of the people. Achievement of this goal depends ultimately on the improvement of economic efficiency, especially industrial efficiency. Therefore, it is necessary to strengthen enterprise reform, raise their managerial levels, and speed up technological progress. It is also necessary to adopt supporting reform measures and create a healthy economic environment.

The session holds that in order to ensure the smooth progress of reform and opening, we must create a stable social environment. Party and government organizations should place honesty in the execution of official duties as an important item on the agenda, and punish such criminal offenses as graft, bribe-taking, power abuse, dereliction of duty, and extortion according to the law. It is necessary to maintain high standards of the party and improve grass-roots party organizations. In order to ensure social stability, we should improve and intensify ideological and political work, and improve the legal system. In short, through deepening economic and political structural reform, we should gradually establish a new order compatible with the socialist commodity economy.

The session calls on all party members and people across the country to achieve unity in their thinking, take concerted action, bestir themselves, and work hard in steadfastly advancing China's reform and opening policy and socialist modernization drive.

Attending the session were 15 full members and 1 alternate member of the Political Bureau of the CPC Central Committee. Two full members of the Political Bureau were absent because of other official duties. Comrade Zhao Ziyang, general secretary of the CPC Central Committee, presided over the session and made a speech on the establishment of a new order for the socialist commodity economy. Officials from relevant departments and secretaries of some provincial and autonomous regional party committees observed the session.

**Price Worries Discussed**

*HK0106124888 Hong Kong ZHONGGUO TONGXUN SHE  
in Chinese 0918 GMT 1 Jun 88*

[Article by Yi Lan (0122 5663): "The CPC Worries That the Rapid Price Increases May Lead To Unrest"]

[Text] [no placename as received], 1 Jun (ZHONGGUO TONGXUN SHE)—The rapid price increases in China and the apparent depreciation of the renminbi are affecting a large part of the population, particularly those living in large and medium-sized cities. In fact, the living standards of some people are declining. The people are not "a little unhappy [you suo wei ci 2589 2076 1792 6101]" with the authorities, but "are complaining bitterly [shen you yuan yu 3928 2589 1841 6133]."

There is no need to conceal the fact that the price policy which has been in effect in China for more than 30 years must now be revised without delay. If this "major operation," which is closely related to the livelihood of 1 billion people, is successful, it will give further impetus to the policy of opening the country to the world and carrying out reforms and, from a long-term point of view, will produce more beneficial effects than bad effects on the people's living standards. It may also lead to some short-term social unrest [dong dang 0520 5616]. However, we believe that it will not lead to problems similar to those in Poland and Chile. If this "operation" fails, on the other hand, the consequences will be too dreadful to contemplate.

The highest CPC leaders have become aware of this recently. On the last 2 days of May, they held an enlarged meeting of the Political Bureau to "discuss current problems and make decisions." These "problems" mainly refer to the rapid price increases and their chain effects.

Never before in its history has the CPC held an enlarged meeting of the Political Bureau to discuss price problems. Everyone knows that the CPC holds enlarged meetings of the Political Bureau only under the very special circumstance that there is a problem that needs to be solved urgently. The last enlarged meeting of the Political Bureau was held in mid-January last year. It was held to discuss the effects of the student movements and to accept Hu Yaobang's resignation.

It has been reported that the CPC Central Committee has long been aware of the fact that the people are complaining about the skyrocketing prices. At a Standing Committee meeting of the Political Bureau on 17 May, Zhao Ziyang presented his views on the current situation. One of the eight points he discussed was that "we must be well prepared psychologically for the grim current situation, try to achieve unity in thinking, and adopt some necessary measures."

Based on the fact that Deng Xiaoping has discussed price problems three times in a short time and Zhao Ziyang's observation that the price problems have given rise to a "grim situation," one can see that highest CPC leaders are worrying that the skyrocketing of prices may lead to social unrest. The enlarged meeting of the Political Bureau is being held to find a solution. According to relevant sources, a proposed measure is to link wages to the price index. However, it is by no means easy to "link" the two. Not long ago, Governor Li Guixian of the People's Bank of China revealed that bank notes with a total value of 4.25 billion yuan had been issued in the first 5 months of the year. If China tries to link the wages of the mainland's 120 million or so wage-earners to prices, it will have to issue more bank notes and will thus aggravate the current inflation problem.

One can see that the situation is indeed "grim." However, one cannot get at the root of the problem simply by "linking things." The question of how to reform the wage system seriously and thoroughly has also become an urgent problem that must be dealt with immediately.

Prices in China are going up every day. According to official estimates, "the price index may rise by about 15 percent this year." Even if the price index rises by a smaller percentage than this conservative estimation, the inflation rate this year will still be the worst since the founding of PRC 39 years ago. It seems that it is really difficult to carry out price reforms in China, where prices have remained frozen for over 30 years. However, since Deng Xiaoping has indicated repeatedly that price reforms cannot be put off any longer and since Zhao Ziyang has also indicated that he is willing to take the risk and is resolved to "tackle this knotty problem," one may say that what is being done now is just the beginning.

**Further Reportage on Meeting**  
HK0106134888 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1141 GMT 1 Jun 88

[Report: "Political Bureau of the CPC Central Committee Holds a Meeting To Discuss Current Reforms, Economic Development Situation"]

[Text] Beijing, 1 Jun (ZHONGGUO XINWEN SHE)—The Political Bureau of the CPC Central Committee held its ninth plenary meeting in Beijing from 30 May to 1 June to discuss questions concerning the current reform and economic development in China. The meeting pointed out: Reform may pose risks before us, but like a boat sailing against the current, we must forge ahead or we will be driven

back. There is no way out if the reform is halted. We must make the most of the advantageous conditions that history has bestowed upon us, speed up and deepen the reform, forge ahead in spite of storms and waves, and solve resolutely and properly all the problems arising from the reform that cannot be dodged.

The meeting reckoned that the reform in China has now entered a crucial stage. Great progress has been made in the reform in the past 9 years, and the achievements are remarkable. In the wake of the in-depth development of the reform, some extremely difficult problems that cannot be dodged now stand before us. Both the experience of foreign countries and our own practice in China have indicated that the longer these problems arising from reform remain unsolved, the more difficult it will be to deal with them.

The meeting pointed out: The reform of the price and wage systems must be based on an overall consideration and needs a well-meditated scheme. In developing the socialist commodity economy, one must follow the law of value and straighten out the existing price relations, which are very unreasonable. As the wage issue is linked closely to the price issue, one will also have to deal with the wage issue if one decides to straighten out commodity prices. In the reform of the price and wage systems, we must raise most people's living standards step by step, while straightening out the price relations and promoting production. Whether this goal can be fulfilled will after all depend on the improvement of economic results, especially the performance of industry. For this reason, it is necessary to deepen the reform of enterprises, raise enterprise management standards, and promote technological progress. Supporting reformative measures must be worked out so that a fine economic environment can emerge.

The meeting determined that a stable social environment is necessary to guarantee the smooth progress of reform and opening up. Party and state organs must place the maintenance of honesty on their priority agenda, punishing according to the law those who are involved in corruption, bribery, abuse of power, dereliction of duty, blackmailing, and other criminal activities. It is necessary to administer the party strictly and strengthen the party's grass-roots organizations. It is necessary to reform and strengthen ideological and political work. And it is necessary to strengthen the legal system and ensure social stability. All in all, we must establish step by step a new order that suits the socialist commodity economy, by carrying out the reform of the economic and political structures in depth.

Zhao Ziyang, general secretary of the CPC Central Committee, presided over the meeting and delivered a speech on establishment of the new order for the socialist commodity economy.



**Sichuan Radio Condemns Nanchong Rioters**  
*HK2905011588 Chengdu Sichuan Provincial Service*  
*in Mandarin 0000 GMT 29 May 88*

[Station commentary: "We Will Certainly Not Tolerate Beating, Smashing, and Looting"]

[Text] The 23 May incident in Nanchong City, in which a few people took advantage of trouble at a soccer match to engage in large-scale beating, smashing, and looting was a serious criminal activity. In order to uphold the legal system and the excellent order in society, we must hold the perpetrators legally accountable and deal resolute blows at law-breakers and punish them severely according to law.

The masses long ago grew to hate beating, smashing, and looting. Such activities, which ran rampant for a time during the 10 years of turmoil, caused serious losses to the state and brought grave calamities on the nation. Everyone can remember this. We will certainly not allow beating, smashing, looting, and total lawlessness. This is the masses' personal historical experience. Our younger generation must be sure to learn the lessons of history and boycott beating, smashing, and looting resolutely.

We need a social environment of stability and unity for carrying out construction and reforms. We must cherish the political situation of stability and unity, which was not attained easily. Our legal system is being perfected gradually, and we must ensure that the state is ruled by law. Anyone who sabotages stability and unity is committing a crime against the people. We will certainly not tolerate beating, smashing, and looting. We must settle accounts with anyone who commits such a crime.

**Sentencing of Rioters Reported**

*HK0106091088 Hong Kong AFP in English*  
*0902 GMT 1 Jun 88*

[Text] Beijing, June 1 (AFP)—Five people have been sent to a labour camp for reeducation after taking part in a riot after a football match in the southwestern city of Nanchong, the PEOPLE'S DAILY said Wednesday.

Thirty other rioters, most of them under the age of 20, are in detention awaiting trial, the official Communist Party newspaper said.

It added that a meeting of 1,400 people had been organised Tuesday by the Nanchong authorities to condemn the May 23 incident.

More than 130 people were injured in the riot, which broke out when Nanchong drew 0-0 with Tianjin, ending the home side's bid for promotion to a higher division.

The rioting began just after the match ended at 6:00 p.m. and continued for 12 hours.

The rampaging fans sacked and looted Nanchong's main police station and tried to burn it down. Thirteen police officers were seriously injured.

One of the 36 rioters detained was released after confessing his involvement and denouncing his comrades, the newspaper said.

It did not say how long the five would be confined to the labour camp. A police tribunal normally carries out the sentencing in China.

The incident, which has been blamed on young peasants, workers and the unemployed, has led to "deep concern" on the part of the Chinese Government, according to press reports.

The day after the riot, 200 students surrounded by thousands of people, demonstrated to demand the release of the detainees.

Incidents at football matches have been on the increase since the first known one took place in Beijing in May 1985.

**Punishment for Rioters Hailed**

*HK0106025788 Chengdu Sichuan Provincial Service*  
*in Mandarin 0000 GMT 1 Jun 88*

[Station Commentary: "The Law Must Be Observed, and Those Who Violate the Law Must Be Punished"]

[Text] Yesterday, with the approval of the procuratorial organs, the Nanchong City Public Security Department arrested, according to law, six criminal elements who engaged in beating, smashing, and looting during the 23 May incident, namely (Lei Bin), (Song Xiaolong), (Cheng Xiaogang), (Wang Guofu), (Yang Min), and (Man Qin), and also sentenced them to education through labor. They also concluded their screening and will not book those who gave themselves up, made a clean breast of things, and showed willingness to make amends. These moves have promoted uprightness, upheld the dignity of the law, and won the people's hearts.

China is a socialist country of the people's democratic dictatorship, and the country must be governed according to law. Those who break the criminal law must be punished by the law. Otherwise, our social climate of stability and unity will be damaged, and the great enterprise of reform, opening up, and the four modernizations will turn into empty talk.

While stressing democracy, we must certainly not pursue extensive democracy and go in for beating, smashing, and looting. All our actions must be circumscribed by law. Our law protects the interests of the people and the state. Since the 3d Plenary Session of the 11th CPC Central Committee, our legal system has gradually been put on a sound basis, and a political situation in which the law must be observed and law-breakers must be punished has formed. We can no

longer allow the existence of anarchy and chaos. That the criminals involved in the 23 May incident in Nanchong City have been punished as they deserve is an excellent illustration of this.

We hope that the people of the whole province will persistently and ceaselessly wage struggle against a very small number of lawless and criminal elements and continually develop the political situation of stability and unity, which was not easily gained.

**Separation of Party, Government Work Discussed**  
HK2805060888 Beijing HONGQI in Chinese No 9,  
1 May 88 p 49

[Article by Zhao Qingshu (6392 7230 2885): "It Is Not Conducive to the Separation of Party and Government Work for a Plant Director To Serve Concurrently as a Party Secretary"]

[Text] In the overall plan for political restructuring put forward at the 13th party congress, the first point is to separate party and government work. Through exploration and practice over the past few months, this work has yielded initial results. However, in many units, especially in some enterprises, the previous practice of "substituting party for government work" has been turned into one of "substituting government for party work," with plant directors concurrently serving as party secretaries and administering overall work. This practice has many defects:

1. It is not conducive to the separation of party and government functions. The basic function of a plant director is to exercise unified leadership over, and to take full charge of, production, operations, and management in the enterprise. The basic function of a party committee is to grasp well party building, make a success of ideological and political work, exercise ideological and political leadership over the enterprise, support the plant director in assuming responsibility for overall leadership, and genuinely play the role of guaranteeing and supervising the implementation of party and state policies. The previous practice of failing to separate party and government work, of substituting party for government work, and of the party committee taking over administrative work was wrong; the current practice of a plant director serving concurrently as a party secretary, which in fact means the plant director taking over the work of a party committee, is also inappropriate. The separation of party and government work includes the separation of functions and powers, as well as organizations and personnel. Only when a plant director and a party secretary are separated genuinely in terms of organization and personnel is it possible to ensure that each attends to his own duties.

2. It is not conducive to bringing into play the role of a party committee in guaranteeing and supervising the implementation of party and state policies. The relationship between an enterprise party committee and an enterprise or plant

director is one of guarantee and supervision, namely, guaranteeing and supervising the implementation of party and state principles and policies. Guarantee and supervision are both united and inseparable. If a plant director serves concurrently as a party secretary, this may help bring into play the guarantee role of the party committee but it does not help bring into play its supervisory role. This is because the practice of one supervising oneself does not have an objective guarantee. The practice of a plant director concurrently serving as a party secretary actually stresses the guarantee role of the party committee but neglects its supervisory role. This will lead inevitably to the weakening of the guarantee and supervisory role of the party committee.

3. It is disadvantageous to the party committee to coordinate the relationship between a plant director and the mass organizations, such as the trade union. A plant director and the trade union have major common targets. However, because their basic functions and angles of approach different, it is difficult to avoid contradictions. As the representative of the interests of workers and staff members, the trade union should struggle against the bureaucratic style of infringing upon the legitimate interests of workers and staff members. Once a contradiction occurs between the trade union (the masses of workers and staff members) and a plant director, the party committee can act as a coordinator and do ideological work between both parties so that the problem can be solved properly. If the secretary of a party committee is concurrently the plant director, representing both the party committee and the administration department, it will probably be difficult for him to conduct convincing and effective work of coordination.

4. It is disadvantageous to a plant director doing his own job well. With the institution of the plant director responsibility system, a plant director exercises overall leadership over, and takes full charge of, production, operations, and management in the enterprise. According to the provisions of the "Work Regulations for Plant Directors in Enterprises Under the Ownership by the Whole People," a plant director should attend to eight major duties, which is an arduous task. Under such circumstances, how can a plant director have the energy to manage party affairs? If a plant director is required to serve concurrently as secretary of the party committee, it will surely divert his energy, making it impossible not only for him to concentrate his energy on production, operations, and management but also for the party committee to carry out its work well.

**Further Understanding of Socialism Urged**  
HK2905060188 Beijing RENMIN RIBAO in Chinese  
20 May 88 p 5

[Article by Zheng Bijian (6774 1801 1017) and Jia Chunfeng (6328 2504 1496): "Great Change, Further Understanding—On the Deepening and Development of the Study of the Theory of the Initial Stage of Socialism"]



[Text] Since the 13th party congress many localities, departments, and research institutes have increased their awareness in systematically conducting investigation of the national, provincial, city, and county conditions and an increasing number of people have regarded the theory of the initial stage of socialism as an ideological weapon to observe the destiny of the country and solve practical problems in construction and reform. We are now confronted with the following task: Continue to deepen and develop the study of the theory of the initial stage of socialism amid the great change effected in China's economic, political, cultural, and social life by overall reform so that this theory will be a new starting point for us to further emancipate our minds.

### I.

The basic link to be firmly grasped in deepening and developing the study of the theory of the initial stage of socialism is to acquire a reunderstanding of socialism. This task was set forth by the report to the 13th party congress while expounding the theory of the initial stage of socialism.

Why is it necessary to stress the term "reunderstanding?" Because it is the pressing need of life and practice, of reform and modernization in the initial stage of socialism, and of promoting continuously China's ongoing unprecedented, profound great social change.

The great historical achievements of Marx and Engels were that they turned socialism from utopian to science and provided us with the theories of scientific world outlook and social revolution. There has never been a social theory in the history of mankind like Marxist scientific socialism, which can effect such a great and profound change in the whole world with its great scientific strength since it came into being one and a half centuries ago. However, this does not mean that the founders of Marxism could have a keen sight into matters and predict everything by divorcing themselves from historical conditions. It does not mean that all their theories are absolutely correct and unalterable. It also does not mean that reunderstanding of socialism by their descendents through practice is no longer necessary.

People have witnessed that the scientific conception of the founders of Marxism concerning the future socialist society could only be a general outline drawn in light of the developing conditions of capitalism at that time. They never proposed and were always against "a permanent, ready plan." (Engels)

People have seen that the later generations acquired dogmatic understanding of scientific socialism of every description or attached their impractical ideas and erroneous views to scientific socialism which led to new dogmatism and undermined seriously the cause and prestige of socialism.

People have also seen that: Confronted with the development of the times at the turn of the century, China has undertaken a great social change on the basis of socialism, unprecedented in Chinese history, despite being a big country in the East with a population of 1 billion and with a backward economy and culture, to revitalize the Chinese nation amid the building of modernization and overall reform.

This great change is unprecedented and profound. It constitutes the transformation and perfection of a full set of principles, policies, systems, and theoretical concepts and touches off the social structure, relations between men and particularly the readjustment of material benefits, people's life styles, mode of thinking, concept of the law of value, social psychology and customs taken shape over thousands of years, and the transformation and improvement of the ideological values and scientific and cultural qualities of the Chinese nation as a whole.

This great change is also extremely complicated. There are large numbers of new emerging things, new ideas, and new concepts as well as social dregs; and there are opportunities, conditions, and a historical leap for revitalization as well as numerous difficulties and setbacks. The intermingled problems and people's comments will accompany the course of advance in this great change.

Confronted with this rich, profound, and complicated great change, if we stick rigidly to certain conclusions and outdated views and methods rather than deepen constantly our understanding of socialism, it will then be impossible to answer confidently and solve the numerous, complicated new problems arising from actual life, to gain initiative, and to have the great change well under control so that it will advance smoothly toward the grand objective of socialist modernization. Facts show clearly that we have just started a systematic study of the theory of the initial stage of socialism and that the course of practice and understanding ahead will be a long one. All our ideas and understanding of socialism will inevitably have to stand the test of practice amid the great change and be enriched and develop through practice. Above all, it is necessary to break courageously with all outdated and incorrect conventions. Herein lies the great vitality of Marxist theory.

In the great development over the 10 years since the 3d Plenary Session of the 11th CPC Central Committee and from setting things to rights to overall reform, our party has attained fruitful achievements of understanding in the course of integrating Marxism with the reality of China's modernization program. Our party found the road of building socialism with Chinese characteristics, put forward the theory of the initial stage of socialism, established the basic line for the present stage, and defined the overall structure for the building of socialist modernization. In light of this road, theory, line, and structure, the people in China are now carrying out the



great cause of modernization and reform. This can be regarded as a great school and rich source for us to deepen our reunderstanding of socialism.

The great change promotes reunderstanding, while reunderstanding turn pushes forward the great change. Practice, understanding, practice again, reunderstanding so that we can constantly deepen our scientific understanding of socialism. This is the only way out for deepening and developing the study of the theory of the initial stage of socialism.

## II.

Focused on the basic link of reunderstanding socialism, how should we comprehensively develop and deepen the study of the theory of the initial stage of socialism?

1. It is necessary to acquire a reunderstanding of national conditions.

This is the principal factor and our basic starting point for all problems.

First, national conditions refer to the situation of productive forces. On the eve of the founding of New China, Comrade Mao Zedong regarded the proportion of 10 percent modern industry and 90 percent agriculture and handicraft industry at that time as "the basic starting point for all problems during the Chinese revolution and a period of considerable length following the victory of the revolution." Under the new historical conditions today, it is still a pressing, basic work to be done well to apply Marxist scientific world outlook and methodology to analyze meticulously the level, structure, and unevenness of the national and regional productive forces as well as the actual conditions and changes in circulation and consumption.

Second, national conditions refer to economic and social relations between men which include the ownership structure and distribution forms as well as readjustment of interests in reform, establishment and development of social interest organizations and groups, and the actual situation and changes of various social problems. If we can conduct a thoroughgoing investigation and make an analysis of these questions, particularly regarding socialist interest groups and social problems, within a county, a city, or the whole society, it will be an essential technique to guide reform meticulously, solve social problems appropriately, and maintain and develop the situation characterized by stability and unity. Under the conditions of reform and opening up, a study of the contradictions among the people is a major task to be handled carefully in light of new practical experience.

Regarding national conditions in the cultural field, the systematic investigation conducted in this respect is far from enough. In China, scores of millions of intellectuals, including a number of first rate experts, coexist with the illiterate and semi-illiterate people accounting for one

fourth of the country's population. The ideological values and cultural and scientific qualities of people are unbalanced. Under the new situation of reform and opening up, the changes in social psychology and public opinion, the rise of various ideological trends, the collision between different trains of thought, and the convergence and conflict between traditional culture and foreign culture are all unavoidable. An investigation and study of these conditions will be advantageous to deepening our understanding of the laws, characteristics, and tasks of cultural building in the initial stage of socialism and creating a new situation in the coordinated development of the building of spiritual and material civilization.

China is a country with multinationalities. We often say that China's socialism emerged from the womb of a semicolonial and semifeudal society. This is a general statement. Regarding the minority nationalities, however, their specific conditions differ from each other. It is also one of the topics of the study of the theory of the initial stage of socialism to make strenuous efforts to conduct a scientific survey of the history, current situation, and economic and social development of the minority nationality areas.

2. It is necessary to acquire a reunderstanding of the historical experience of the contemporary socialist movement.

Counting from the publication of the Communist Manifesto, 140 years have elapsed since the theory of scientific socialism was advanced. Socialism has been practiced for 70 years in a country and for 40 years in many other countries. We can also acquire a profound understanding of socialism from the recent current of reform prevailing in socialist countries. Here a noticeable, basic fact is that all socialist countries have extricated themselves from the past unitary pattern and have entered a new era with diverse specific forms in which they can open up a way of advance through explorations.

Under such historical conditions, it is an essential task to reunderstand the rich experience and historical lesson of the socialist movement with a new outlook, make a study and comparison of socialism practiced in other countries, and assimilate and draw on their experience so that we can deepen constantly our theory of the initial stage of socialism.

3. It is necessary to acquire a reunderstanding of contemporary capitalism and the development of the Third World.

Scientific socialism did not come out of nothing nor did it develop in isolation away from the track of human civilization. Since Marx, Engels, and Lenin could draw conclusions on future socialist construction from the study of capitalism and imperialism at that time, why can't we absorb the new achievements of human civilization and draw new scientific conclusions verifying and enriching experience in our socialist construction from the study of the contemporary world, including the

developed capitalist countries and the Third World, while we are directly building socialism and solving the historical problems of industrialization and commercialization, socialization, and modernization in production? Regarding the measures adopted in economic reform, there are often disputes over a question whether they belong to "socialism" or "capitalism." As a matter of fact, the market mechanism and shareholding system belong to the category of "commerce" rather than "socialism" or "capitalism." They can be used by capitalism as well as by socialism. To apply these things to assimilate advanced science and technology, universally applicable economic and administrative management experience, and other useful culture created under capitalist conditions is not tantamount to weakening or deviating from socialism. The purpose of doing so is to build a perfect, powerful, and vigorous socialism.

4. It is necessary to acquire a reunderstanding of the current international environment and the times.

China's socialist modernization program is an important component part of the progress and development cause of the whole of mankind. Today we are confronted with favorable circumstances and a serious challenge from the international environment. Moreover, our study and estimate of the developing laws, objective, steps, and level of the entire initial stage of socialism is related closely to the changes in international environment, including changes in new technological revolution; in economy, culture, science, and education of different types of countries; and in the international strategic structure.

Regarding the times, Comrade Deng Xiaoping penetratingly pointed out on a certain occasion that peace and development are the two major issues in the world today. He also pointed out the worldwide issues between East and West and between South and North. This will be of great significance to our scientific understanding of the current stage. Focused on peace and development, we are confronted with the competition in overall national strength in the economic, political, cultural, military, and ideological fields with competition in science and technology as the precursor and competition in productive forces as the basis. A profound understanding of the times will increase enormously our sense of urgency and responsibility in attaining the target of the initial stage of socialism.

### III.

The overall reform and modernization program in the initial stage of socialism constitute a large scale, creative system engineering under the guidance of Marxism. Naturally, our reunderstanding of socialism and study of the theory of the initial stage of socialism cannot remain on books, concepts, and definitions. Our energy, enthusiasm, and wisdom should be focused on investigation and study of national conditions, on scientific summarization of practical experience, the fresh experience of

reform and modernization program over the past decade in particular, and on explorations of the laws governing all fields undergoing socialist modernization. Therefore, we should always adhere to the ideological line of seeking truth from facts in our research work, uphold the party's basic line (one center, two basic points), implement earnestly the "double hundred" policy, and encourage explorations and new ideas. At the same time, we should also modernize the method of study and means of understanding.

We should implement earnestly the policy of theoretical work serving the building of socialist modernization, listen attentively to the voice of practice of reform and socialist modernization, follow the development of new technological revolution, and integrate closely the study of basic theories with the study of practical policy making and development strategy.

We should absorb and make use of modern operation instruments and information means so as to apply effectively the systematic method which combines quantity with quality. The analysis and summarization of theories are based on large amount of accurate, factual material and information. Therefore, we should improve and strengthen the work of collecting, storing, and using information.

We should remove the barriers erected between various branches of science and strengthen and promote the alliance between the three main branches of modern scientific knowledge—natural science, technological science, and social science. The study and solution of any major economic and social development subject at present require close coordination of various branches of science and overall application of knowledge.

The study of the theory of the initial stage of socialism constitutes a theoretical building of the party. The report to the 13th party congress pointed out: "The initial stage of socialism covers a long process of historical development. We do not yet know much about the conditions, contradictions, and changes in this stage or the laws governing its development." We should make strenuous efforts to carry out effectively this research work which is of great theoretical and practical significance.

#### New Document Relayed on Press Reform

HK3105140688 Hong Kong WEN WEI PO in Chinese  
27 May 88 p 2

[Dispatch by reporter Liu Jui-shao (0491 6904 4801): "Propaganda Departments Instructed To Take Initiative in Conducting Press Reforms"]

[Text] The CPC authorities relayed recently a document entitled "Outline of a Forum on Press Reform" to the propaganda departments at all levels as well as the major press units. The document will serve as a guide to



propaganda work for a period of time in the future. Beijing television's news program confirmed the report, but did not disclose any details.

In the "Outline," according to the report, the authorities for the first time admitted the objective existence of laws governing press work and encouraged the press circles to take the initiative, trace clues, and report major issues of social concern, particularly information and views from the basic levels, on the premise of adhering to the general orientation, abiding by the legal system, and not divulging secrets. In the past, the source of this report disclosed, the authorities insisted that the press circles were organs of the party. In the official document "Outline," however, this was not mentioned at all. Instead, the press circles were urged to follow the laws governing press work. This change merits attention.

The "Outline" also requested that press circles pay close attention to the following matters in the course of press reform: First, increase openness and expand circulation of information. All ministries and commissions should further implement a press spokesman system, regularly organize press conferences, and release substantial information. In activities involving diplomatic affairs, except an agreement reached between two sides which should be kept secret, other matters should be reported. Second, the opinions of the grass-roots levels should be reported through social consultation and conversation and do not avoid "hot" problems. Moreover, implementation of the opinions after social consultation and conversation should also be reported so as to ensure supervision. Third, encourage criticism. Never shield shortcomings or demand perfection. Fourth, encourage new explorations in the forms of reporting.

**'Crackdown' on False Advertising Planned**  
*HK0106014688 Beijing CHINA DAILY in English*  
*1 Jun p 1*

[By staff reporter Li Chao]

[Text] China is preparing to launch a crackdown in the second half of this year on the rampant growth in false advertisements and the illegal management of advertising.

"Although false advertising in the media above provincial level has been stopped thanks to regulations and other rules issued last year, it is a little out of control in the media below that level," said Liu Baofu, deputy director of the advertising office of the State Administration for Industry and Commerce in an interview with CHINA DAILY.

"Therefore our major task in the second half of this year is to deal seriously with false advertising and illegal management of advertising, because consumers have suffered a lot from false ads," he said.

He said that units or organizations could not run advertising without an official license and advertisers should have a clear knowledge of the advertising regulations formulated by the State Council and shoulder responsibility for checking content.

Enterprises should also train their advertising staff to give them a better understanding of the regulations, he said.

Comprehensive education for consumers should be implemented so they know their rights after being taken in by false ads.

Liu attributed the increase in false ads to the heavy competition between the advertising media for clients.

Laws on advertising will be dawn up in the near future, he said, and the preparatory work is currently under way.

"We cannot have the situation where people are fooled by false ads saying that a certain kind of food is good when it turns out to be dire," he said.

Liu said the present advertising companies have not been given full play in the economy because of poor equipment and a lack of professional expertise. Many companies are incapable of devising advertising strategy and market research and collecting feedback.

There are now about 800 advertising companies in the country, but only about 100 are able to do the job properly, according to Liu.

He said more than 1,100 newspapers are running ads and newspaper advertising still brings in the most money, 350 million yuan last year, a 39 per cent increase.

He said television advertising is developing fast, up 47 per cent over last year, and the quality of advertisements has improved dramatically.

**Radio Beijing To Reinstate English Broadcasts**  
*HK3105052288 Beijing CHINA DAILY in English*  
*31 May 88 p 3*

[Text] The English-language live radio programme sponsored by Radio Beijing, which had been suspended for about 30 years, was restored this month.

Our aim is to make our audience from abroad feel at home through our service appealing to them, Wu Xiaoyong, an official from Radio Beijing, told CHINA DAILY yesterday.

Live broadcasts were aired in the 1950s, but were discontinued later because of political considerations.



Presided over by anchorpersons, the new service broadcasts two hours a day, from 7 to 9 am. So far, it has carried the views of the Irish ambassador to China, an American businessman and a professor. They talked about Sino-Irish relations, joint ventures and how to learn English.

Wu, also an anchorman, said, live broadcast will make us closer to the audience because the broadcasters are speaking directly to the audience instead of to tape-recorders. To make the interview lively, he asks the guests impromptu questions rather than let the speaker just read a speech.

But the live broadcast also will exert psychological pressure on the announcers. So the service conducted simulated training for several months with the aid of foreign experts, Wu said.

"The success of my first two-hour programme, I wrote every sentence on sheets beforehand," said Yu Xinlu, an anchorwoman. "I was afraid that I would be so nervous that I would forget everything when I was at the microphone. But through several practices, I am confident of my work."

The live broadcast has received good response from the audience, but also some complaints about slips of the tongue.

"It is often the case with the live broadcasts, but we will try our best to correct them," Wu said.

The service, now relayed in Shanghai, Guangzhou, Tianjin, Shenyang, Nanjing and Xian, will broadcast five hours a day by the end of this year, with more details and inter-city interviews in the programmes.

**Publication of 'Study on Deng Xiaoping's Ideology'**  
HK3105034788 Hong Kong TA KUNG PAO  
in Chinese 27 May 88, p 2

[Speci from Beijing on 26 May: "A Series of Books 'Study on Deng Xiaoping's Ideology' To Be Pu]

[Text] A series of five of a series of books entitled "Study on Deng Xiaoping's Ideology" will be published before this year's National Day. The series of books will expound the important contributions of Deng Xiaoping in making decisions on a series of key questions concerning the formation and development of the line followed by the CPC since the 3rd Plenary Session of the 11th CPC Central Committee and on a series of key questions concerning the building of modernization in China.

The series of books will be published by the Publishing House of the PLA National Defense University. In May of last year, the Publishing House of the PLA National Defense University invited a number of research personnel from the China Academy of Social Sciences, the

research institutions of the CPC Central Committee, the higher learning institutions and organs of the PLA, and so on to form an editorial board to compile this series of books. The first batch of this series of books contain the following titles: "Deng Xiaoping—The Overall Designer for the Building of Modernization in China," "Study on Deng Xiaoping's Strategic Ideology," "Study on Deng Xiaoping's Economic Ideology," "Study on Deng Xiaoping's Party-Building Ideology," "Study on Deng Xiaoping's Philosophical Ideology," "Study on Deng Xiaoping's Ideology of Reform And Opening Up," "Study on Deng Xiaoping's Ideology on The Reform of the Political Structure," "Study On Deng Xiaoping's Ideology On Democracy And Legal System," "Study on Deng Xiaoping's Ideology on the Modernization of National Defense," "Study on Deng Xiaoping's Ideology on the Political Work in the New Period," "Study on Deng Xiaoping's Cultural Ideology," "Deng Xiaoping's Art of Leadership," and so on.

**Qiao Shi Attends Meeting Concerning Young People**  
OW0106023288 Beijing XINHUA Domestic Service  
in Chinese 1404 GMT 27 May 88

[Text] Beijing, 27 May (XINHUA) — The Central Advisory Commission, the Organizational Department of the party Central Committee, the All-China Commission in Charge of the Welfare of the Aged, and the CYL Central Committee held a "Concern for the Next Generation" forum in the Great Hall of the People this afternoon to exchange the experiences of the "Concern for the Next Generation" associations in various localities in educating young people. The forum called on more veteran comrades to help promote the sound growth of young people in the remaining years of their life.

Qiao Shi, member of the Standing Committee of the Political Bureau of the CPC Central Committee; Song Ping, member of the Political Bureau of the Central Committee; Wu Xiuquan and Huang Hua, members of the Standing Committee of Central Advisory Commission; Xi Zongxun, vice chairman of the NPC Standing Committee; Li Lian, secretary general of the Central Advisory Commission; Rong Gaotang, and Shi Mengqi attended the forum.

In 1984 a number of veteran comrades who had withdrawn from the first line to the second line organized a "Concern for the Next Generation" Association in Anyang City, Henan Province. Its success in educating young people attracted the attention of people of all walks of life. Nearly 100,000 similar associations have been established in 21 provinces, autonomous regions, and municipalities throughout the country, and the number of veteran comrades who joined the associations has exceeded several hundred thousands.

Song Ping, member of the Political Bureau of the CPC Central Committee and director of the Organizational Department of the party Central Committee, said that it is a noble duty of veteran cadres to show concern for the

next generation and that veteran comrades are an important force for bringing up and educating young people. In his speech he said: With ardent love of the party and the socialist motherland, many veteran comrades have done much work to improve the working and living conditions of elementary and middle school teachers, to create a better social environment for young people to grow up, and to find a legal system that can ensure the sound growth of young people. Their work is appreciated by people of all circles in society. The party is grateful to them, and so are the people.

"Despite dangers and perils, veteran comrades have followed the party all their life to make revolution. What is their aim?" Song Ping believes that their aim is the independence and prosperity of the motherland and the final realization of a communist social system. He said: We need the younger generation to inherit the great cause initiated by proletarian revolutionaries of the older generation, and we also need the younger generation to undertake the historical mission of invigorating the Chinese nation. In this sense, it is necessary to show concern for the sound growth of the next generation in order to ensure successors for the proletarian revolutionary cause for which our veteran comrades have fought very hard. He noted that veteran comrades have a unique advantage in bringing up and educating the next generation, because their personal experiences and reasonable assistance will make it easier to achieve better results in educating the younger generation.

Song Ping affirmed that the majority of contemporary young people have a sound mental outlook and good moral character, but some backward and unhealthy phenomena in real life have a negative influence on young people. Many comrades have been worried by the rise in the proportion of crimes committed by young people in the past few years. Therefore, the common effort of the whole party and the entire society is needed in bringing up the new generation.

Song Ping called on party committees at all levels to recognize the importance of veteran comrades' work of showing concern for the next generation and to organize more veteran comrades to take part in this activity.

Speaking at the meeting in the capacity of a veteran comrade, Wu Xiuquan, member of the Standing Committee of the Central Advisory Commission, suggested that veteran comrades should set a good example for the next generation, because this would play a positive role in promoting education and improving party work style and would also help foster the image of outstanding party members. At the same time, veteran comrades can also educate themselves while educating the next generation.

At the forum Yang Hongxin, deputy secretary of the Anyang City Party Committee and honorary president of the city's "Show Concern for the Next Generation" Association, Henan Province; Qiao Dengjia, deputy chief of the Veteran Cadres Bureau under the Hunan

Provincial Party Committee; Zhong Lin, vice president of the "Show Concern for the Next Generation" Association of discharged cadres from the organizations directly under the control the Heilongjiang Provincial Government; and Zhu Qianru, secretary general of Rudong County's "Show Concern for the Next Generation" Association, Jiangsu Province, briefed the forum on the work they have been doing in their respective associations.

**Yang Shangkun, Others at Fei Yi-ming's Funeral**  
*OW3105122288 Beijing XINHUA in English*  
 1129 GMT 31 May 88

[Text] Beijing, May 31 (XINHUA) — China's top leaders paid tribute to Hong Kong legal expert and Chinese patriot Fei Yi-ming, whose ashes were interred today at the capital's Babaoshan Cemetery.

Fei died in Hong Kong on May 18 after a long illness at the age of 80. He was deputy to the Seventh National People's Congress (NPC), publisher of the Hong Kong newspaper, "TA KUNG PAO," as well as vice-chairman of the Hong Kong Basic Law Drafting Committee and vice-chairman of the NPC Law Committee.

Attending the ceremony were Chinese President Yang Shangkun, NPC Chairman Wan Li, member of the Standing Committee of the Political Bureau of the Chinese Communist Party's Central Committee Hu Qili, Vice-Premier Wu Xueqian, and Director of the Hong Kong and Macao Affairs Office under the State Council Ji Pengfei.

Wang Hanbin, an NPC vice-chairman presided over the ceremony.

Also present were Song Ping, Yan Mingfu, Xi Zhongxun, Peng Chong and Rong Yiren, and family and friends of Fei's.

Chinese leaders Zhao Ziyang, Li Peng, Li Xiannian, Peng Zhen and Deng Yingchao, Qiao Shi, Yao Yilin also sent wreathes in condolences to Fei's family.

Fei's ashes were brought to Beijing on May 29 by his wife, Su Wuzi, and his sons and daughter.

**Navy's Blue-Water Training Successful**  
*HK0106031588 Hong Kong WEN WEI PO in Chinese*  
 1 Jun 88 p 2

[Report: "Army Paper Says Navy's Blue-Water Training Is Highly Competent"]

[Text] Beijing, 31 May—Today's JIEFANGJUN BAO carries an article entitled "A Start of Strategic Significance—Commenting on the Navy's Combined Blue-Water Training." Military observers here surmise that this article has a definite object in view and is aimed at the current situation in the Nansha Archipelago [Spratlys].



The article begins by pointing out: Since Vietnamese warships were dealt stunning blows after encroaching on China's territorial waters in March this year, an upsurge of war preparations has been whipped up in Vietnam. Western diplomats in Hanoi asserted that Vietnam would simply be "seeking its own destruction" if it really wanted a major confrontation with the Chinese Navy. There was certainly some basis for this deduction. The article says that a major factor in boosting the Chinese Navy's combat capabilities in recent years is its combined blue-water training.

The article then deals with the area of China's territorial seas, stating: "According to the provisions of the 'United Nations Treaty on the Sea' adopted by the world conference on the Law of the Sea, China has several million square kilometers of territorial sea including its continental shelf and associated economic zones, plus our original territorial waters. This vast sea area is extremely abundant in biological, mineral, and energy resources." The article points out: "Protecting and cherishing China's territorial seas and defending the country's maritime interests is the People's Navy's unshirkable task... This strong concept of territorial seas is deeply imprinted in the mind of every cadre and fighter."

The article then proceeds to introduce the Navy's performance in combined blue-water training.

This type of training has developed in the People's Navy with unprecedented momentum since 1979, and completely new styles and features have been displayed. There has been a big increase in the number of such training exercises. During the 8 years from 1979 to 1987, the number of blue-water training exercises organized by the Navy increased by over 31 times compared with the previous 239 years. These exercises have included some carried out only 1,000 nm off shore and some carried out as much as 10,000 nm distant. Our ships have left their tracks not only in all of China's major sea zones but also in all the straits and navigable routes around those zones; they have been in the Indian and Pacific Oceans, and have even gone to Antarctica. The scale of such blue-water exercises has developed from single vessels of a single type, to combined squadrons from various branches and of various vessel types. In 1986 in particular, long-range bombers from the Naval Air Force flew out into the Pacific for the first time, thus adding still more punch to the Navy's blue-water renown and lineup. At the same time, the contents of blue-water training have developed from purely navigation to a variety of combined and composite training exercises focused on combat. The Navy has conducted a whole series of highly difficult exercises never before carried out such as "composite tridimensional underwater, surface, and airborne attack and defense;" "exercising long-range troop landings;" "replenishment at sea;" and "extended voyages by nuclear submarines." All these have aroused attention.

The article points out that there has been a marked strengthening of coordination between different branches and vessel types in the Navy, and the Navy has also created and mastered many new combat methods and tactics for combined blue-water combat.

According to military sources, although the Chinese Navy has adequate strength to protect the national territory it will still strive to exercise restraint, and will not take the initiative in provoking war.

**'Crack Forces' Part of Military Reorganization**  
HK3105021188 Hong Kong *SOUTH CHINA MORNING POST* in English 31 May 88 p 11

[By David Chen]

[Text] A major reorganization of the military is under way following directives from the party Military Affairs Commission and the state Central Military Commission.

The orders are aimed at the introduction of new "crack forces" and the restoration later this year of military ranks, according to informed military sources.

The revamping, according to informed sources, has been going on for some weeks since General Secretary Zhao Ziyang, in his capacity as first vice-chairman of the state Central Military Commission, talked about streamlining the military and the introduction of "fist squads" out of group armies.

Very little is known about the reorganization and how it is going to affect the structure of the 3 1/2 million force, the world's largest.

However, it is understood many senior officials, as well as some basic units, are in a quandary as the reorganization will affect not only the elite officers corps but junior ranks, many of whom have been in their regions for more than 15 or 20 years.

The People's Liberation Army (PLA), which grew from a guerrilla force fighting the nationalists in the late 1920s and early 1930s until the outbreak of war with Japan, has undergone many changes but in essence the five field armies have been deeply entrenched in the final areas of conquest as they routed the nationalist armies from the mainland in 1949 and 1950.

There they remained largely intact and although some units have been transferred from one area to another, they accounted for only a small percentage of the whole fighting force.

Over the years there grew a sense of deep loyalty to the units, or budui as it is affectionately called by its men.

This sense of loyalty is far stronger than that for the whole military region or the PLA as a whole, let alone the party and the country.



Over the past 20 years, the party has been trying to effect a change of this sense of loyalty, by transferring top regional commanders and wholesale redeployment of units, but the spirit de corps of the budui remained unchanged. The budui looks after every aspect of the soldier's life, his future, his family and the education of his children.

The first major reorganization was carried out at the end of 1973 when commanders of eight of the then 11 military regions swapped positions on Chairman Mao Zedong's direction and on the advice of the current top leader Deng Xiaoping.

And when Mr Deng returned to power in 1977, he carried out a second major reorganization in the early 1980s by retiring many older regional commanders. But it was only in 1985 when Mr Deng, as chairman of the Central Military Commission not only ordered the reduction of the PLA forces by one million officers and men but merged the 11 military regions into seven, thus weeding out a great many officers who were considered obstructionist to reform policies.

The latest instructions to organise "crack forces", said analysts, were the toughest and may be aimed at breaking up the entrenched units which would no longer be able to identify themselves with the now almost legendary First, Second, Third and Fourth Field Armies.

While budui will still have a special meaning to the soldiers, it may not have that magical pull on the officers and men that it once had.

**PLA Official on Training Military Cadres**  
*HK3105051788 Beijing JIEFANGJUN BAO in Chinese 18 May 88 p 1*

["Training Cadres Properly Is a Fundamental Task of Building and Managing the Army in Times of Peace—Speech by Chi Haotian, Chief of Staff, at a Training Session of Teaching Methods for Cadres at and Above Brigade and Division Levels of the Beijing Military Region (Excerpts)"]

[Text] Under the situation of deepening Army reform and carrying out systematic study and deliberations, the Beijing Military Region, proceeding from training and focused on increasing the ability to direct and manage the Army and to educate and train the units, has held a collective training class for principal officers at and above the divisional and brigade levels. This is an effective measure to solve the practical problems existing in current army building.

This question is important because army training, particularly cadre training, constitutes the central task of army building in times of peace. Some 40 years have elapsed since our Army switched from the war years to a peace environment. We have made long-term explorations of the laws governing army building in times of

peace. There are successful experiences and also lessons drawn from mistakes. In the building and development of an army, there are some objective laws that can be followed. In my opinion, however, "training as an essential task of the army" should be a fundamental law. Comrade Mao Zedong's maxim that the Army should undergo strict training and set high demands on itself, otherwise it cannot be a real army revealed the fundamental law governing army building in times of peace.

At present our Army is confronted with a great turning point. In light of the changes in the world's strategic situation, the CPC Central Committee pointed out that large scale wars can be avoided for a considerable length of time. We can seek a relatively stable, peaceful environment. In 1985 the Central Military Commission made an important decision effecting a strategic change in the guiding ideology for army building, which indicated that our Army entered a historical stage of reform and development focused on the modernization program. There are many new characteristics at this stage: Changes have been effected in the world's strategic structure and the development of wars and China's economic and political reforms have developed in depth. Regarding leading comrades at all levels of the Army, they should soberly realize that these characteristics are bound to produce a great impact on all fields and work concerning army building. The ongoing reform of the establishment, cadre system, education and training, grass-roots level building, political work, logistics work, and production and operation in the Army constitutes a transformation of the old structure as well as self-perfection in a creative sense. It will inevitably invigorate the Army. Leading cadres at all levels of the Army should stand in the forefront of reform and support and lead reform. Meanwhile, we should be aware that we are facing a profound revolution. At the time when a new system is replacing the old one, many problems will directly involve the mood and personal interests of officers and men and give rise to ideological problems and difficulties in army management work. If we fail to properly handle these problems, besides weakening the combat effectiveness of the Army, it will be difficult for us to fulfill the historic mission of the Army. Thus, we are faced with a serious question of reassuring the units, increasing solidarity in the Army, and doing a good job of army work under the new situation of China's reform and opening up and the army's "strategic change."

Everyone knows the following truth: In the long-term peaceful environment, military training constitutes an essential means to increase the combat effectiveness of the Army as well as an important measure to train various kinds of talented people, temper the style of the Army, and enhance solidarity. For this reason, it will be of great immediate significance to pay close attention to military training, particularly training of officers, and strengthen army building during the "strategic change." Comrade Peng Dehuai said 30 years ago: "The task of building a modern army is arduous and the work is complicated. The establishment and systems of the army, drafting of rules and regulations,

and building of national defense projects are all important work. But the most important, long-term, and regular work is to train cadres." At the new turning point of history and amid numerous tasks, the purpose of emphasizing this question again today is to urge the whole Army, senior cadres holding leading posts in particular, to keep sober-minded and regard cadre training as a central task. A firm grasp of this task will enable us to promote the army's overall work.

Facts have proved that it is not difficult to realize an important thinking. The really difficult thing is to implement the thinking in practice. Take cadre training for example, although it has been stressed for many years, the problem has not yet been solved. Thus, implementation is more difficult than making a statement.

In light of the actual situation in recent years chairman Deng and vice chairman Yang of the Central Military Commission have repeatedly stressed cadre training, particularly training of senior level cadres. The leading bodies at all levels underwent a major readjustment after 1985. Large numbers of new officers assumed leading posts, instilling fresh blood to our cause. Nevertheless, we should be aware that there is still a gap between their capability and practical experience on the one hand and the requirements of army modernization on the other. As a leading cadre, he is an executive as well as a policy maker. He shoulders an important historic mission and great responsibility. Under the current situation of reform, we badly need large numbers of capable, quality cadres with plenty of brains. This target can only be realized through training. As the ancient saying goes, "a general who is not good at training should not be placed in an important position." Thus, training of cadres at all levels, senior level cadres in particular, is a work of primary importance.

Training of senior level cadres should manifest its characteristics. As a senior cadre, he should at least have the following qualities: First, a comprehensive sense of strategies and campaigns; and second, practical ability to organize and command troops. The improvement of these qualities depends on systematic training in military academies and practical training in the Army. Regarding a modern army, its composition is extremely complicated. It has various services and arms, different types of weapon and equipment, and personnel of different categories. Its work is also varied which includes commanding troops, army management, political education, military training, and logistics building. They are mutually independent and also closely related to each other, forming a constantly moving formation of an army. Therefore, regarding a senior level cadre, he should have a grasp of the orientation of army building and predict the changes in the situation and development of war as well as be capable of exercising effect command, control, and management. While training senior level cadres, it is necessary to strengthen theoretical study of military science and get a clear understanding of the Central Military Commission's strategic thinking, take note of

the changes and characteristics of the objective situation and be good at blazing new trails in the spheres of one's work, study the practical problems concerning army building and operation in connection with actual military struggles, and increase their practical ability to organize and command troops through military exercises. In recent years we have done a great deal of work and achieved marked results in this regard.

We should stick to cadre training for a long time until satisfactory results are achieved. This should become a rule. In our cadre training in the past, we instructed others and the subordinates rather than ourselves. We should put an end to the situation of self-training being tight at one time and relaxed at another. Cadre training is not a matter that can be accomplished in one move or conducted once and for all. Instead, it should be conducted regularly. The in-service training of senior level cadres of our Army is mainly carried out through the form of campaign training. During the 1950s, Marshals Liu and Ye personally took a hand in campaign training. As a result, the quality of senior level cadres of the whole Army improved remarkably. China is now in a new period of reform, opening up, and economic invigoration, a crucial period which determines whether we can become one of the civilized, powerful nations in the next century. China's reform and economic invigoration require a long, stable peaceful environment and a modernized army matching China's political position. The cadres at all levels are the mainstay of this Army. Thus, it is necessary to regard improving the military and political qualities of cadres at all levels as a fundamental task of the building of army modernization.

**Various Incentives Spur Joint Ventures**  
*HK3105052088 Beijing CHINA DAILY in English*  
31 May 88 p 1

[By staff reporter Xu Yuanchao]

[Text] A senior light industry official said the three favourable terms that China offers to foreign investors have helped increase the number of joint ventures in his sector to about 150 this year.

The foreign-invested enterprises had a total industrial output value of 1.08 billion yuan (\$281 million) last year and 80 percent of their production was for export, said Kang Zhonglun, vice-minister of light industry.

The favourable terms are exemption from business tax for the first three years, a 50 percent reduction in taxes for the following four years and a preferential rate of 15 percent on income tax.

The joint ventures are thus able to keep more of the foreign exchanges they earn for their own use than can other Chinese manufacturers of export products.



If the labour productivity of the joint ventures is raised, the wages for workers will be allowed to go up 50 to 100 percent compared to other enterprises.

Except for a few categories of products which are important to the national economy and people's daily life, the government will not intervene in the pricing system of the joint ventures, enabling them to sell their products at competitive prices, Kang said.

On future plans for light industry, the vice-minister said there are advantages of easy access to transport and information, and of up-to-date technology and equipment in open coastal areas, while rich resources, vast land and cheaper labour force are advantages for the inland areas.

**Coastal Enterprises Develop Exports**  
*OW2705142888 Beijing XINHUA in English*  
1123 GMT 26 May 88

[Text] Hefei, May 26 (XINHUA) — Rural enterprise in China's coastal areas are increasingly changing over from domestic to export-oriented production, [words indistinct] rural enterprise economic development symposium held in Anhui Province recently.

Before 1980, only 1,500 enterprises in coastal areas produced goods for export, but by 1986 the number had increased to 11,000, and a total of 4.5 billion U.S. dollars were earned from exports in that year, the official said.

After the implementation of the strategy of economic development in coastal areas, many rural enterprises in Jiangsu, Zhejiang, Guangdong and Fujian Provinces, along with Shanghai Municipality and the Shandong peninsula, either changed over to or expanded their production of export products.

In the course of trying to help develop the nation's commodity economy, more and more rural enterprises understand the importance of properly using able people, the official said.

He cited, as example, the cities of Wuxi and Suzhou in Jiangsu Province, where such enterprises are [words indistinct]. 80 percent of the enterprise managers in the two cities are former salespersons or other talented people who are far-sighted and have a clear idea of what the commodity economy demands.

**Enterprises Fail To Fulfill Contract Obligations**  
*OW3105114288 Beijing Domestic Service in Mandarin*  
0930 GMT 8 May 88

[From the "National Hookup" program]

[Text] Information provided recently by the Production Management Bureau of the State Planning Commission shows that our industries achieved fairly good economic results in April and that the increases in income from

sales, profits, and tax payments by industrial enterprises included in the state budget were higher than the increase in their output value. Those industrial enterprises' output value and income from sales increased 9 percent and 19.2 percent respectively over the same period of last year, and their profits and tax payments went up by 11.9 percent.

The number of provinces, municipalities, and autonomous regions where the increase in profits and tax payments is higher than that in output value has gone up to 20 from 18 about 3 months ago. Industrial production steadily increased in mid-May. Railway, communications, and transport departments all fulfilled their plans, and the production targets of 28 of 36 major products were fulfilled or overfulfilled.

What cannot be ignored is that in the first quarter of this year the production of lumber, coal, steel products, rubber, and 14 other products distributed by the state in a unified way failed to meet the targets set in state contracts. The fulfillment of contract obligations in coal, pig iron, cement, and six other products was even poorer than that in the same period of last year.

Figures provided by the State Statistical Bureau show that in the first quarter, iron and steel enterprises whose products are to be distributed according to the state plan should have delivered 4,725,000 metric tons of steel products to the state under contract. But they actually delivered only 4,207,000 metric tons of steel products to the state. Twenty-six key steel plants fulfilled only 90.7 percent of their contract obligations. Only the Shoudu, Wuhan, Chongqing, Fushun, (Tangcheng), and Guiyang Steel Plants fulfilled or nearly fulfilled their contract obligations.

The performance of contract obligations in coal distributed by the state in a unified way was also not so good — only 91.2 percent of such contract obligations were fulfilled, a figure lower than that in the period of last year.

All forest zones across the country failed to fulfill 50 percent of the contract obligations for the first half of the year. Forest zones in south China failed to do a good job in delivering resources to the state, nor did they accept commodity orders according to the state plan.

Fulfillment of contract obligations in copper, aluminum, lead, zinc, copper products, and aluminum products was better than the same period of last year — 93.7 percent of such contract obligations were fulfilled.

In analyzing the reasons for this problem, an economist said today: The most important reason for this is that some enterprises have failed to observe the principle of making planned products first and then products not included in the state plan. They have delivered such large quantities of products for the latter purpose as to affect their supply of products according to the state plan. In addition, the shortage of raw and semifinished



materials and lack of coordination between transport and production are also important reasons for the failure to fulfill contract obligations.

The economist went on to say: Poor performance of contract obligations in the production of products distributed by the state in a unified way has gone on for too long. The crux of the matter is that prices for means of production have yet to be rationalized. This shows that there are still serious tasks to be carried out in the economic restructuring of our country.

#### **Private Businesses Face Difficulties**

OW2805021088 Beijing XINHUA in English 0812 GMT  
27 May 88

[Text] Beijing, May 27 (XINHUA) — Private businesses, a rising integral part of China's social and economic life, are faced with difficulties, Yang Ruoxia, head of the statistics section of the State Administration for Industry and Commerce, said.

She told CHINA DAILY Thursday that there are now 22 million private enterprises in the country — an increase of more than 1,300 percent since 1978.

These enterprises had a business volume of 103 billion yuan by the end of 1987 and their taxes to the state totalled more than 20 billion yuan.

While private entrepreneurs are making more money, they are having more difficulties too, Yang said.

They have difficulties in establishing their enterprises, running their businesses, setting up relations with state departments and having little time to take care of their children.

Private entrepreneurs have a reputation for hiding their real income, evading taxation, selling substandard products, cheating customers and driving up prices, Yang said.

According to investigations in Shanghai, Liaoning and Jiangsu, 50 percent of private entrepreneurs evaded taxation, and in some places 90 percent did so.

Many people still hold prejudices against private entrepreneurs, even though some are law-abiding businessmen, Yang said.

Another business problem they face is that there are no laws to protect private enterprises, Yang said, adding that this often stops entrepreneurs from expanding their businesses.

#### **Workers Support Contract Responsibility System** OW2905015088 Beijing XINHUA in English 0755 GMT 28 May 88

[Text] Beijing, May 28 (XINHUA) — Most workers in the commercial industry are confident of the current economic reform, a survey has found.

Over 86 percent of the 300 surveyed favored implementation of the contract responsibility system.

Only 4.3 percent said "no".

The survey, jointly undertaken by the state and Shenyang's commercial trade unions, found that 82 percent of the workers were satisfied with work done under contract. Only three persons said they were not.

About 58 percent felt the reform has improved their social status, while 11 percent felt their status has been lowered.

Over 85 percent said that the reform has brought their initiative into full or better play.

Open bidding for contracts was preferred by 60 percent of those interviewed while seven percent said they would rather have contractors appointed by higher-ups.

#### **Attempts at Straightening Out Price System Viewed** HK0106062788 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 21, 23 May 88 p 1

["Letter From Beijing" by Bao Xin (7637 0207): Making a Further Step in Straightening Out the Price System"]

[Text] Brother:

For a fairly long time there have been many comments and complaints about price rises. Now Beijing Municipality has raised the retail prices of meat, eggs, vegetables, and sugar. At the same time, it has decided to provide a monthly subsidy of 10 yuan for each employee (8 yuan for each university student and 7 yuan for each technical secondary school student). Prior to this, quite a number of cities including Guangzhou, Shanghai, and Wuhan also took similar measures. People will probably ask: How useful will these subsidies be in coping with price rises? Will it not do for prices to remain unchanged?

As a matter of fact, there has long been a contradictory mentality among some people: On the one hand, some people are very much dissatisfied with price rises; and on the other, people in some production units are hoping for higher prices for their products, otherwise they will make less money and their production will be affected. Probably, these are contradictions emerging in the course of economic reform at a time when the price system has not

been straightened out. When the urban people are complaining that meat, eggs, and vegetables are "too expensive," the peasants are expressing their dissatisfaction with the increase in the production costs of agricultural and sideline products, with the decrease in the state purchase prices of their products, and with the losses they have suffered. In 1987, the production costs of pork and eggs on the outskirts of Beijing rose by 40 percent over 1984, and those of vegetables by 200 percent. The shortage of pork last year was caused by irrational prices. In the first quarter of this year the prices of vegetables in Beijing rose by 27.9 percent over the same period of last year. Now the State Council has decided to raise the retail prices of meat, eggs, vegetables, and sugar, to provide subsidies overtly instead of covertly as practiced in the past (that is, raising state purchase prices of products to maintain stable selling prices of products), and to resolve the prices of the four major types of nonstable food. The purpose of the current price adjustment is, probably, to encourage the peasants to increase the output of nonstable food.

There is something you do not know. As a result of raising state purchase prices of agricultural and sideline products to maintain their selling prices (that is, the method of providing subsidies covertly), financial subsidies in Beijing alone rose from 220 million yuan in 1978 to 2.52 billion yuan last year, and subsidies for the prices of nonstable food increased from 100 million yuan 9 years ago to 1 billion yuan last year. In the first quarter of this year alone, the government provided a subsidy of 1.36 yuan for every sale of 500 grams of pork, and a subsidy of 0.56 yuan for every sale of 500 grams of eggs. The state financial department's annual subsidies for covering living expenses resulting from price rises throughout the country have increased from the scarcely 10 billion yuan at the beginning of reform to 30 billion yuan now. As a matter of fact, the government's covert subsidies are also price rises, but ordinary people do not know how much they get from these subsidies. The current method of providing subsidies overtly adopted by the government conforms to the law of value. With a good job well done in this connection, production will be stimulated through regulation by market mechanism.

Maybe you will ask: How are the people's mental and actual strains to withstand the rising prices of nonstable food? Or to put it more specifically: Will confusion occur? It should be said that the coexistence between economic growth and inflation is a common phenomenon in international economic development. For a country experiencing an economic takeoff, the state and the people can still forebear the "temporary pain" resulting from price rises, so long as efforts are made to control vicious inflation, to maintain the economic growth rate a little higher than the increase rate of the people's income, to allow the people's cash income to remain a little higher than price rises, and to maintain a basically stable development structure. The State Statistical Bureau has made an analysis of the situation in China over the last few years:

—In 1985, the state took the initiative in adjusting the prices of nonstable food and providing subsidies for the people, thus relaxing the control over the prices of some commodities, straightening out price relationships, and bringing economic benefit to the people. This was well received by the majority of the people.

—In 1986, the state adjusted the prices of some daily necessities without providing subsidies for the people. But because it also adjusted the wages of some employees, there was not a big fluctuation.

—In 1987, although the state did not take any major price adjustment measure, prices rose by a large margin because some monopoly undertakings and enterprises increased their prices at will and the state did not provide subsidies for the people or raise their wages. Apart from this, price relationships were not straightened out. As a result, the actual income of some employees dropped and some people were very much dissatisfied, thereby giving rise to unstable factors. The prices of nonstable food have now been adjusted and subsidies are being provided for employees. I believe good results will be achieved.

The dual price system currently implemented by China does not permit the exercise of rigid control over some prices while forbidding the market to adjust prices arbitrarily. The state will use the law of value in a planned and orderly way to gradually straighten out the price system during the initial stage of socialism. The current price adjustment in a planned and organized manner is a cautious step in the protracted course of straightening out the price system. Will this step be successful? Guangzhou's experience is a successful example. What is your opinion?

Yours,

Bao Xin

15 May

#### Increased Pig Production Reported

OW3005185388 Beijing XINHUA in English 1108 GMT  
30 May 88

[Text] Beijing, May 30 (XINHUA) — After a year-long decline in the number of pigs being raised in China this year's first quarter scored an increase, a Ministry of Agriculture official announced today.

Statistics show 15 provinces and autonomous regions raised 250 million head of pigs during the first three months of this year, with these areas slaughtering 61.75 million head during this year's first quarter, or 6.6 percent more than the same 1987 period; Sichuan Province alone saw an increase of 18.5 percent.

More pigs are being raised because of preferential policies pig farmers now enjoy which include raising the purchase price of pigs and making more inexpensive fodder and other materials available.

The country still faces some problems in pig production like some provinces limiting pig sales to other provinces and many provinces still short of sows.

**Molybdenum Deposits Found in All Provinces**  
*OW3105040288 Beijing XINHUA in English*  
*0624 GMT 30 May 88*

[Text] Beijing, May 30 (XINHUA) — China, rich in molybdenum, ranks along with those countries possessing the world's largest deposits of the mineral, a Chinese geology and mineral resources ministry spokesman said today.

Molybdenum has been located in all the country's provinces, municipalities and autonomous regions except the Shanghai area, with amounts in Taiwan unclear. To date, 25 provinces have verified their molybdenum reserves, and of all the country's molybdenum mines, three contain some of the world's largest deposits.

Henan, Shaanxi and Jilin hold most of China's molybdenum, with deposits in these provinces accounting for more than half the total nationwide.

Experts agree molybdenum products face a bright future on both the domestic and international markets, and departments concerned have been urged to focus on the mineral's overall utilization and higher value processing.



## East Region

**Anhui Secretary Addresses Party Meeting**  
*OW3105141988 Hefei ANHUI RIBAO in Chinese*  
 25 Apr 88 pp 1, 3

["Excerpts" of speech by Lu Rongjing at an enlarged meeting of the Standing Committee of the Anhui Provincial CPC Committee on 24 April: "Unite As One and Concentrate on Reform and Construction"]

[Text] This meeting is held mainly for the purpose of relaying the guidelines laid down by the 2d plenary session of the party's 13th Central Committee. As for the province's work, the provincial party committee issued Document No 1 on it this year; the provincial People's Congress made arrangements for it in January; and Comrade Li Guixian gave a mobilization talk on learning from Guangdong, Fujian, Jiangsu, and Zhejiang and set forth definite views and measures in this regard. Party committees at various levels should continue to implement these arrangements. In accordance with the guidelines laid down by the 2d plenary session of the party's 13th Central Committee and in view of the province's current conditions, I will reiterate and emphasize the following several points:

### 1. Try in Every Possible Way To Promote Steady Economic Development [subhead]

The province's economy has been developing steadily since the beginning of this year. The general situation is good. In agriculture, unless serious natural disasters occur in the next few months, the total output of summer-harvested grain crops is expected to approach last year's level. The planned acreage for spring sowing has increased generally, and spring sowing has been done well. Output value of village and town enterprises in the first quarter of this year increased 45 percent over the same period of last year. Industrial output value in the first quarter went up 17.6 percent as compared with the same period last year, and the growth rate corresponded generally with the improvement of economic results. Provincial revenues increased 13.3 percent over the first quarter of last year. In our economic work, however, there are problems that cannot be ignored. It is expected that rape output will drop, the industrial output at the province's township level will be slightly lower than the country's average, and its foreign trade and export volume and the purchase growth rate will be lower than the country's average. We should have a clear understanding of the current situation, persist in putting reform at the center of all tasks, and solve existing problems effectively in order to maintain the pace of economic development.

First, we should strive to reap a good harvest and do a good job in agricultural production while combating natural disasters. Later-stage wheat field management should be strengthened. Wheat midges have been discovered, and hot winds may blow. People should make

preparations and take effective measures against any possible natural disasters. Inspection of spring plowing should be strengthened, and more guidance should be given in this regard. It is necessary to organize relevant departments to do a good job in supplying chemical fertilizer, diesel oil, and seed and providing services. The masses should be mobilized to sow what should be sown according to plan. According to forecasts of meteorological departments, late June will be the rainy season. Some areas may get flooded or waterlogged. After the rainy season, drought is expected to hit in the autumn. Therefore, we must overcome the idea of leaving things to chance and must not slacken our vigilance against any natural disasters. We must make preparations against drought and flood in all their aspects.

Second, persistent efforts should be made to speed up industrial development by improving our economic results. All localities should continue to deepen reforms. While expanding the scope of contracting out enterprises, efforts should be made to improve the contract system, to deepen its implementation, and to do effective coordinating work in this regard. A competitive mechanism should be introduced into the contract system. Special leading bodies should be organized to take charge of public bidding by enterprises, and a market should be opened for public bidding. By so doing, management and operation of enterprises by contract will be regularized and institutionalized gradually. While enforcing the "Enterprise Law," it is necessary to implement the system of full responsibility for factory directors (or managers) and to further strengthen enterprise management and operations. Enterprises should be organized to increase vigorously the production of marketable products, quickly develop lateral economic ties, and absorb funds, technology, and qualified personnel from other areas.

Third, great efforts must be made to strengthen our work with regard to foreign trade. We must further accelerate and deepen the reform of the foreign trade system, and implement firmly the various policies laid down by the State Council and the provincial government on reforming the foreign trade system. We must change our ideas and ways in management, run our businesses with the needs of the market in mind, gradually guide export-oriented enterprises to meet competition on the international market, and change the practice of running businesses independently into that of joining up with many other enterprises in doing business. Under no circumstances should we follow the beaten track by placing everything under strict control and doing business with all our doors closed to the outside world. Foreign trade companies and enterprises which turn out products must coordinate with each other, negotiate prices openly on the basis of mutual benefit, and join efforts to achieve common progress. The leadership and relevant departments at all levels must support work in foreign trade, implement policies liberally, vigorously expand resources of goods that are readily marketable,

strengthen the infrastructure in foreign trade, and strive to create a favorable environment for the development of foreign trade.

Fourth, positive efforts must be made to link science and technology closely with the economy. We must take reform as our point of departure; set up a mechanism of integrating science and technology closely with the economy; increase the incentive of enterprises, particularly large and medium-sized key enterprises, to apply scientific and technological advances; and make them feel the pressure to do so. We must push forward the expansion of the technology market and the commercialization of technological achievements; and must shorten the time between achievements in research and their application to production and construction. We must study and work out even more liberal policies to open the country wider to the outside world; encourage more scientific and technical personnel to work in factories and rural areas and on the forefront of production; and invigorate enterprises and economic entities by promoting technical development, transferring technologies on a contractual basis, and offering technical services with financial compensation. The various relevant departments must support scientific and technical personnel and units in participating in various economic activities, while displaying the spirit of carrying out reform, opening up to the outside world, and invigorating the domestic economy. We must create conditions to run all public institutions like enterprises gradually, adopt the bidding system and contract system in managing such institutions and developing all types of economic entities, and ensure that everyone understands clearly his task and responsibility, performs his duties well at his post, and tries hard to improve social benefits.

## 2. Carry Out Activities To "Learn From the Two Areas" in a Down-To-Earth Manner [subhead]

To develop the activities of "learning from the two areas" is an important step in keeping pace with the strategic changes for economic development in the coastal areas. It is an important measure which we put forward after analyzing the situation in our province. We must develop these activities unswervingly until we have attained actual results.

First, we must understand clearly the guiding ideology and focal point in "learning from the two areas." To "learn from the two areas" means to learn from the advanced. We must not only learn from the experiences of Guangdong and Fujian, or from Jiangsu and Zhejiang, but also humbly learn from the fine experiences of all the advanced areas. Especially we must learn from the experience of Shanghai Municipality which has maintained close economic relations with our province in the past. Learning from the advanced does not mean that we must copy mechanically what the advanced areas do. We must learn from what the people in such areas think and from their spirit. We should pay attention to the following three points:

(1) We must display the spirit of seeking truth from facts and creating the new. Just like the people in Guangdong, Fujian, Jiangsu, and Zhejiang do, we must maintain close touch with reality, implement the policies laid down by the central authorities vigorously and flexibly, do away with outmoded concepts that hamper the development of the productive forces, help people increase their awareness in carrying out reform and opening up to the outside world, and explore boldly ways that are conducive to developing the local productive forces.

(2) We must maintain our standards in developing the productive forces. We must regard the development of the productive forces as the focus of all our work, the starting point in tackling all issues, and the basic criterion in verifying all our achievements.

(3) We must work hard and do solid work persistently. The people of Guangdong, Fujian, Jiangsu, Fujian, and other advanced areas are imbued invariably with the valuable spirit of working hard and doing solid work. In doing their work, they carry out careful planning, set their targets, and work out measures. They impose stringent demands on themselves and carry out solid work. They have fewer disputes over trifles among departments and regions. They work with high efficiency, and accomplish whatever they do. They never stop until they fulfill their task. We should learn resolutely from their spirit and their fine style of work.

Second, we must be good at finding out and bringing into full play our own advantages. So far as Anhui is concerned, we must continue to bring into full play our favorable conditions for grain production. While ensuring steady growth in grain output, we must further develop agriculture and turn out more farm products in order to earn foreign exchange. In particular, Anhui has favorable conditions and great potential for developing aquatic production, water conservancy, and animal husbandry. The various localities must exert strenuous efforts in this connection. We must bring into full play the positive factors in all fields to put all barren hills and unused water surfaces and mountain slopes to good use. We must develop village and township enterprises vigorously, urban and rural collective enterprises, and county-run industries. We must take the initiative to maintain close ties with the coastal provinces and cities which are developing the export-oriented economy vigorously to prompt them to build more production base areas in our province. We must do a good job in unclogging channels to ensure a constant flow of commodities, do away with monopolized management and regional obstacles, allow commodities to circulate freely, form a multilayer network for the circulation of commodities, and create an environment conducive to the production of commodities in urban and rural areas.

Third, we must concentrate our efforts on doing solid work. In the near future, the various localities and units should refrain from sending personnel to visit other localities. They must concentrate their efforts on doing



solid work. They must fulfill their tasks and develop projects one by one. In doing everything, they must set up a responsibility system in order to accomplish whatever they set out to do and attain actual results. All departments, particularly those directly under the administration of the provincial government, must cut the number of meetings to a minimum, and convene meetings that are absolutely essential. The leading cadres at all levels must go to the forefront to conduct investigation and study, set up offices at lower levels, and solve problems on the spot. Government organs and factories must raise their work efficiency. They all must serve the grass-roots units and help develop the socialist commodity economy.

### 3. Attach Great Importance to the Issue of Commodity Prices [subhead]

First, we must strengthen our propaganda work to help the masses understand correctly the current economic situation and the policy on price reform. We must give wide publicity to the policy on price reform, and carry out price reform under correct leadership, in a planned manner, and step by step. We must pay constant attention to the following two points:

(1) We must readjust irrational prices that are not conducive to the development of production so that price increases and decreases will serve to help rationalize the production structure and the product mix.

(2) We must adopt effective measures to stop stirring up evil trends, and jacking up prices indiscriminately. In short, we must act according to the law of value, and take into consideration the interests of both consumers and producers.

Second, we must develop production vigorously. Particular attention must be paid to producing more goods that are readily marketable as well as daily necessities for the people. We must produce resolutely more vegetable and eggs, and raise more pigs; implement the relevant policies; and whip up the enthusiasm of producers.

Third, we must strengthen firmly our leadership and management to place market prices under control. The leadership at all levels must regard their task of stabilizing market prices as a major item on their daily agenda. The departments in charge of commodity prices must shoulder responsibility in controlling market prices, provide the necessary supervision, and conduct price check-ups. They must deal earnestly with those who arbitrarily raise prices and violate state laws and regulations. At the same time, efforts must be made to mobilize and rely on the broad masses to do a good job in controlling the market and commodity prices.

### 4. The Whole Province Should Concentrate Energy on Reform and Construction [subhead]

First, people throughout the whole province should lift up their spirits, improve unity, and concentrate their energy on developing the productive forces. Leading bodies at all levels should remain relatively stable, cadres should be reassured, and the people's minds put at rest. This will serve as reliable prerequisites and guarantees for a steady economic development.

Second, we should be strict with party members and improve party style. Party and government organs at all levels should be honest in performing their official duties. Cadres should foster the idea of wholeheartedly serving the people; make resolute efforts to overcome bureaucratism; raise work efficiency; and take the lead in developing the spirit of waging hard struggle, and in preventing and opposing all extravagance, vanity, feasting, and other wasteful practices. Extravagance and wastefulness are indications of backwardness, an imperfect legal system, and lack of supervision by the people. We should take effective measures and institute rules and regulations to change this undesirable state of affairs and develop our fine traditions.

Third, greater efforts should be made at all levels to improve ideological and political work. Consultations, dialogues, and many other activities should be held to reinforce propaganda and education by positive example, so that people can deal correctly with the new problems arising from reform and opening up to the outside world; can understand correctly and handle the relationship between the state, the collective, and the individual; and can understand gradually the activities of leading organs and the difficulties we face. This will promote communication and mutual understanding.

Fourth, we must do a good job of public security, and safeguard social stability. At present, public order in our province is generally stable. However, the number of criminal cases has increased by a fairly big margin. This problem deserves our attention.

Recently in some localities, there have been frequent reports of people who dare to step forward to fight criminals, but there have also been reports of indifference and dereliction of duty in dealing with criminal elements. We should make use of typical cases, publicize widely and commend good people and good deeds, strike severely at criminal offenders according to law, heighten the sense of discipline, handle sternly people found guilty of dereliction of duty, uphold uprightness, strike at evil, and strive to take a comprehensive approach to ensure public security as well as social unity and stability.

**Fujian Party Plenum Reviews Economic Strategy**  
OW3105071288 Fuzhou FUJIAN RIBAO in Chinese  
15 May 88 p 1

[Excerpts] "Sum up and popularize the new experience, concentrate on opening up in a bold manner in the next 3 years, implement the '11-point regulation' with confidence, and bring about a new, 'externally oriented'



situation." These are the demands set forth by the eighth (enlarged) plenary session of the fourth provincial party committee, which concluded on 14 May, for the vast numbers of party members, cadres, and the masses across the province.

During the meeting, participating comrades heard and discussed in groups Comrade Chen Guangyi's report and Comrade Wang Zhaoguo's speech. They exchanged ideas and measures from the various prefectures and cities for further implementing the economic development strategy for coastal areas and accelerating the development of an export-oriented economy. In the afternoon of 13 May and the next morning, leaders of the various groups briefed the provincial party committee on the main contents of the group discussions. Chen Guangyi presided over the briefing; Jia Qinglin made a summation; Wang Zhaoguo and other comrades expressed their views while hearing the briefing. [passage omitted]

The meeting reviewed and publicized earnestly the new experience gained by the province during the past 6 months or so in implementing the economic development strategy for coastal areas. The experience is as follows: 1) Only by emancipating our minds will we be able to expand constantly the path of development. [passage omitted] 2) Pay attention to developing and improving support measures to deepen reform. The various localities have realized from their experience in opening up to the outside that if we are to open up wider and speed development, we must attend to reform vigorously and promote opening and development through reform. Many reform programs, more than any of the previous years, have emerged this year and this is one of the fundamental reasons why our economic situation has been so good this year. 3) Attract compatriots in Hong Kong and Taiwan and Overseas Chinese to invest, expand the scale, and improve efficiency in the use of foreign capital. [passage omitted] 4) Integrate preferential policy with good services. Practices in the past few years shows preferential policy alone will not do. We must also be good at flexibly applying the preferential policy and at providing good services in order to develop constantly an export-oriented economy. 5) Integrate science and technology with invigorating enterprises and promoting an export-oriented economy. [passage omitted]

The meeting emphasized that at present attention should be paid to the following work: First, make elaborate arrangements for economic work and pay special attention to solving the shortage of raw and semifinished materials; strengthen operation and management of enterprises, continue implementing "double increase and double economy" activities, and guarantee simultaneous increases in economic performance and growth; pay attention to the new problems that may arise from the introduction of the contract system in enterprises and attend to and speed up the technical renovation of enterprises. In agriculture, we must take grain production very seriously, fulfill the early rice planting plan at an early date, and speed up the construction of nonstaple foodstuff production bases. In foreign trade, emphasis should be placed on supplementary

reform of the foreign trade system; special attention should be paid to organizing the supply of export goods and to attracting investment by foreign and Taiwanese businessmen. Second, conscientiously speed up and intensify reform in line with the guidelines of Chen Guangyi's report and Wang Zhaoguo's speech. It is essential to push forward reform through the application of laws and firmly implement the "enterprise law." Third, work hard to bring about economic prosperity, honesty in government, and a good public order. Fourth, attend to family planning work.

**Fujian Governor Receives Guests From New York**  
*OW2705045088 Fuzhou FUJIAN RIBAO in Chinese*  
13 May 88 p 1

[Text] The group of public figures from New York, U.S.A., arrived in Fuzhou from Hangzhou on 12 May. On the evening of 12 May, Governor Wang Zhaoguo met with and feted all the members of the group.

The 19-member group was led by director Zheng Zhong-gao (honorary chairman of the Association of People From Fujian in U.S. East Coast and chairman of the Board of Directors of the New York Jinfeng Restaurant); deputy director Liang Bowen (chairman of the New York Association for Promoting Peaceful Reunification in China); and adviser Lai Guofu (chairman of the Chongzheng Society in New York). The group left New York on 11 April for China via Hong Kong at the invitation of the United Front Work Department of the CPC Central Committee. Members of the group attended the opening ceremony of the Spring Trade Fair in Guangzhou, and then toured various places including Guilin, Beijing, Xian, Shanghai, Suzhou, Nanjing, and Hangzhou. During their sojourn in Beijing, they were received cordially by state leaders and the responsible comrades of the relevant departments.

Also present at last night's reception were Zhang Kehui, Standing Committee member and director of the United Front Work Department of the provincial CPC committee; Ling Qing, vice chairman of the provincial CPPCC Committee; Zhuang Nanfang, head of the provincial Office for Overseas Chinese; Jin Nengchou, deputy secretary of the Fuzhou City CPC Committee; and Peng Shicheng, vice mayor of Fuzhou City.

**Children's Guidance Center Opens in Jiangsu**  
*OW3005182688 Beijing XINHUA in English*  
1031 GMT 30 May 88

[Text] Nanjing, May 30 (XINHUA) — The China Children's Psychotherapy Guidance Center, the first of its kind at the national level, was opened today in Nanjing, the capital of Jiangsu Province.

The center will focus its efforts on research in the area of child psychology, treatment of mentally retarded children, training of competent personnel in the psychological field and conducting academic research in conjunction with other countries, said the center's head, Tao Guotai, at today's inauguration ceremony.

According to a national medical survey recently conducted by the Ministry of Public Health, about 6 percent of children between the ages of five and six are psychologically underdeveloped.

This is due to parents' excessive emphasis on children's physical growth and negligence of their psychological development, said Tao.

He added that two children's health care centers will also be built in Beijing and Wuhan in the near future.

**Shandong Vice Governor Meets Canadian Delegation**  
SK3105043088 Jinan Shandong Provincial Service  
in Mandarin 2200 GMT 30 May 88

[Text] On the afternoon of 30 May, Vice Governor Ma Zhongchen met with the economic and trading delegation from Regina City of Canada led by its mayor (Larry Schneider) at the Qilu Guesthouse. Regina City established friendly ties with Jinan City last August. During its visit, the delegation headed by Mayor (Schneider) will hold discussions with Jinan officials on relevant economic projects, and matters related to future economic and technological cooperation and exchanges between the two cities.

During the meeting, Vice Governor Ma Zhongchen introduced the situations of the Shandong Peninsula open economic zone and Jinan to the guests. He hoped that both sides will reach some agreements on the cooperation and exchanges in the economic, technological, and trading fields. The journalist-turned Mayor (Schneider) showed great interest in our country's foreign trade reform, and hoped that substantial progress will be achieved in the fields of economy and trade.

**Shanghai To Increase Education Budget**  
OW3005191988 Shanghai City Service in Mandarin  
0900 GMT 26 May 88

[Text] The municipal people's government held its first executive meeting recently to examine and approve a suggestion for strengthening educational work. The meeting decided to step up educational work in seven areas, including increase in education budget for this year from the original 5.7 percent to 8 percent over last year, expansion of 1,000 primary school classrooms, and construction of 50 school buildings with auxiliary facilities by 1990.

All district and county governments should complete 64 neighborhood primary schools in urban areas and rebuild hazardous school buildings covering 350,000 square meter floor space in suburban areas before the end of 1990. Special attention must be paid to strengthening the ideological and political education among young students, improving the quality of teachers, and popularizing experience of the community educational commissions. It is necessary to further improve the status and remuneration of middle and primary school

and kindergarten teachers. All districts and counties should complete the work to increase the salaries of primary and middle school and kindergarten teachers by 10 percent before the end of June. The municipal Fund for Primary and Middle School and Kindergarten Teachers will appropriate 1 million yuan to reward 3,000 outstanding teachers on the Teachers Day this year.

**Shanghai Residents Complain About Inflation**  
HK3005080788 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 30 May 88 p 1

[Special to BUSINESS WEEKLY by Wang Xiangwei]

[Text] Shanghai—For Wang Hongsheng, an accountant, her main preoccupation nowadays is not statistics and office charts, but how to make ends meet when prices of food are going up.

Her husband was not surprised when he recently found that Wang returned from shopping with an empty basket.

"My goodness. Prices of almost all foods have increased and some are continuing to rise," she said.

Wang is not the only one of Shanghai's 12 million residents to complain.

Inflation has become the most common topic of day-to-day conversation now that the epidemic of jaundice in Shanghai—which swept over China's largest industrial city earlier this year and confined more than 500,000 people to bed—has finally faded out.

The central government decided to raise the prices of pork, eggs, sugar and vegetables in large cities, such as Beijing and Shanghai, starting May 15 as an incentive to farmers to increase production of these foods.

"We have to increase the prices of some foodstuffs because they were much undervalued and the government had to give a lot of subsidies," said an official from the municipal Economic Planning Commission.

To compensate the consumers, the municipal government awarded a 10 yuan monthly food subsidy to employees of State- and collectively-owned enterprises and government institutions and to retirees. Students received a somewhat lesser subsidy.

But of greater impact to Shanghai's economy is the rising cost of raw materials encountered by its thousands of factories and plants in the wake of reforms in the system of material supplies.

In the past, the central government would ensure the supply of most raw materials and energy needed by Shanghai's factories and plants at fixed prices.



But nowadays, following the government's decision to shift its centrally-planned economy to a market-oriented one, factories in Shanghai were allocated only a trickle of their needed raw materials and had to locate and buy the bulk of these supplies on the market at negotiated prices. As a result, the prices of manufactured goods have also gone up.

The monster of inflation threatens to inflict adverse effects on Shanghai's economic development and people's daily lives.

One immediate effect is the tendency to hoard and even worse to speculate, snapping up everything from soap to matches, thus aggravating the shortage of daily necessities.

To cite matches as an example, in March alone, the municipal government put 81,000 cases into markets (one case contains 1,000 small box of matches). This is equivalent to one-third of the annual sales volume, but matches are still in acute demand.

One woman admitted that the matches she had bought would last her family for more than 20 years.

"Hoarding some coveted commodities for sale at higher prices is a phenomenon that has emerged in the current development of a market-oriented economy in Shanghai," the local newspaper LIBERATION DAILY said.

The paper said except for some matches bought by consumers for their own use, large amounts of matches have been purchased by grocery stores and peddlars for hoarding and speculation.

"For example. Some grocers will sell customers matches provided they buy some hard to sell brands of cigarettes. Some exchanged matches for seafood or hoarded them in hope of higher profits," the paper said.

It said some factories are withholding deliveries of badly needed products such as towels socks, and cotton shirts.

"This new trend in the wake of the development of a market-oriented economy should be watched closely. If left unchecked, it could hurt production and infringe upon the interests of consumers," the paper said.

Rising cost of production have reduced the profit margin of manufacturing enterprises in Shanghai. BUSINESS WEEKLY learned that more than 250 industrial enterprises that make over 1,300 products in Shanghai are running at a loss. Some have had to curtail production, thus contributing to a slow down in Shanghai's economic development.

Shanghai's income, at about 46 billion yuan, has dropped to sixth place nationally. It used to be number one. Municipal revenue has fallen for three successive years from 18.16 billion yuan in 1985, to 17.61 billion yuan in 1986, to 16.51 billion yuan in 1987.

Economists here attributed Shanghai's declining economy to the central government's unfair pricing policies for the country's bigger cities.

Shanghai was China's largest economic centre after the founding of the People's Republic in 1949 and Shanghai's commodity price index became the barometer for monitoring price movements for the nation as a whole.

So the government's policy was to keep prices in Shanghai stable through heavy subsidies and strict control over consumption.

The prices of made-in-Shanghai products had remained more or less unchanged for 30 years despite changes in supply and demand and in the cost of production.

In return for selling Shanghai-made products at mandatory prices, the government would ensure the supply of more than 80 percent of the industrial raw materials and energy needed by Shanghai factories. This system guaranteed a certain profit margin for those factories.

But Shanghai factories began to feel the pinch when the government relaxed its control over the pricing system, giving small and medium-sized cities more flexibility in setting the prices of their products while continuing to restrain the bigger ones like Shanghai. This has put Shanghai in real trouble. Factories in Shanghai were no longer assured of cheap raw materials when these came increasingly under market regulation. On the other hand Shanghai factories were not allowed to raise the prices of their products.

Shanghai economists compare this situation to the oil crisis in the early 1970s.

"If this trend is not turned around quickly, Shanghai's economy will probably plunge into a recession," one of them said.

Economist suggest that the central government relax its controls on Shanghai-made products to enable the city to gain more strength for further development.

However, the current price hikes already have caused an uproar among local residents and put pressure on the municipal government to slow down its steps to reform the price system.

Shanghai officials need to seek full support from the central government to forge ahead with the price reform. To stay put and do nothing can only result in helplessly seeing its economy decline.



**Shanghai Mayor Zhu Meets Italian Banker**  
*OW3005192088 Shanghai City Service in Mandarin*  
2200 GMT 26 May 88

[Text] Mayor Zhu Rongji met recently with (Vicci), president of the Italian National Labor Bank, who was paying his first visit to Shanghai. During the meeting, the mayor briefed the Italian banker about Shanghai's investment environment and discussed with him further cooperation in the banking field.

At a news conference held yesterday, (Vicci) expressed keen interest in participating in the economic activities in Shanghai.

The Italian bank set up a branch office in Shanghai last May.

**Zhejiang Governor Addresses New Officials**  
*OW3105123288 Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 23 May 88*

[Text] Chairman Chen Anyu addressed a ceremony this afternoon held by the provincial People's Congress Standing Committee to confer certificates of appointment on new members of the provincial government, saying: Public office holders should have political integrity in order to avoid being divorced from the masses and to receive their support. Only in this way can we ensure success in making reforms, opening to the outside world, and other endeavors.

Chen Anyu hoped that the newly appointed members of the provincial government would set good examples in upholding integrity in their work, refrain from making high-sounding remarks, say less, do more, and immerse themselves quietly in hard work.

At the appointment ceremony, Governor Shen Zulun said: The present government receives its mandate at a new, important turning point in the economic development of our province. The burden and tasks on our shoulders are heavy indeed. However, reform will retreat if it does not advance. Therefore, we should overcome difficulties and bravely take new strides.

Governor Shen Zulun stressed: We should not become corrupt or muddleheaded officials, but should truly serve the people. This is not easy. It requires the willingness to bear the burden of office, and the perseverance of not withdrawing or shirking responsibilities.

Vice Chairman Wang Qidong encouraged the newly appointed comrades to bravely forge ahead in their work, remain duty-bound without turning back, dare to shoulder heavy burdens, and do their work well.

**Zhejiang Congress Appoints Department Heads**  
*OW3005200588 Hangzhou ZHEJIANG RIBAO in Chinese 19 May 88 p 1*

["Namelist of Appointments by the Zhejiang Provincial People's Congress Standing Committee (Approved by the Third Meeting of the Seventh Zhejiang Provincial People's Congress Standing Committee on 18 May 1988)"]

**Appointments:**

Wang Hongyi [3076 1738 3015], secretary general of the provincial people's government;

Shao Zongjie [6730 1350 2638], chairman of the provincial Education Commission;

Zhou Wen [0719 2429], chairman of the provincial Science and Technology Commission;

Zhai Jiafu [6392 0857 4395], director of the provincial people's government Office on Foreign Affairs;

Yang Zhaodi [2799 2156 2769], director of the provincial people's government Office on Overseas Chinese Affairs;

Xia Zhonglie [1115 0112 3525], director of the provincial Public Security Department;

Huang Rongbo [7806 2837 3134], director of the provincial State Security Department;

Zhang Lianggao [1728 5328 7559], director of the provincial Supervision Department;

Yu Guoqiang [0060 0948 1730], director of the provincial Justice Department;

Song Shaoxiang [1345 1421 4382], director of the provincial Finance Department;

Zheng Jingfu [6774 4842 1381], director of the provincial Labor and Personnel Department;

Zhang Shengyao [1728 0581 5069], director of the provincial Auditing Bureau;

Ye Changfa [0673 7022 3127], director of the provincial Statistical Bureau;

Dong Fuhai [5515 2591 3189], director of the provincial Materials Bureau;

Wei Lian [7614 1670], director of the provincial Urban and Rural Construction Department;

Chen Haimei [7115 3189 3780], director of the provincial Environmental Protection Bureau;

Shao Yaoding [6730 1031 1353], director of the provincial Communications Department;

Cui Daren [1508 6671 0088], director of the provincial Machine-Building Department;

Chen Haiqing [7115 3189 7230], director of the provincial Petrochemical Department;

Dai Daming [2071 1129 7686], director of the provincial Light Industry Department;

Zhao Xiaodao [6392 1420 6670], director of the provincial Agriculture Department;

Fan Fusheng [5400 4395 3932], director of the provincial Forestry Department;

Bi Dingbang [3968 1353 6721], director of the provincial Fishery Bureau;

Zhang Yaode [4545 5069 1795], director of the provincial Village and Township Enterprises Bureau;

Wu Wenqian [0702 2429 6197], director of the provincial Land Administration;

Zhou Zhangxie [0719 1728 3610], director of the provincial Commerce Department;

Zhang Xingqian [1728 5281 6929], director of the provincial Grain Bureau;

Wang Hongliang [3769 3163 5328], director of the provincial Foreign Economic Relations and Trade Department;

Cao Tiandian [2580 1131 3783], director of the provincial Industry and Commerce Administration;

Zhou Zugeng [0719 4371 6342], director of the provincial Press and Publications Bureau;

Du Jiaxing [2629 0502 2502], director of the provincial Broadcasting and Television Department;

Dai Di [2071 6611], director of the provincial Health Department;

Jin Linjun [6855 7207 0193], chairman of the provincial Physical Culture and Sports Commission;

Cao Dali [2580 1129 4539], director of the provincial Office on Economic and Technical Cooperation; and

Liu Yongxing [0491 3057 5281], director of the Zhejiang Provincial Office for People's Air Defense.

**Defense University Delegation Visits Zhejiang**  
*OW3005191688 Hangzhou Zhejiang Provincial Service in Mandarin 0300 GMT 27 May 88*

[Text] A study group from the National Defense Department of the National Defense University paid a visit to our province from 24 to 26 May to study our province's coastal defense preparedness and the building of militia and reserve units.

The study group consisted of leaders of army level and above from the Military Commission headquarters; naval, air force, and army academies and schools; the military regions; and group armies as well as 30 or so graduate students.

The group heard a briefing by Li Qing, commander of the provincial Military District, on national defense education and coastal defense preparedness and another one by (Yu Buxing), division commander of reserve forces, on organizing and building reserve units. It inspected an instruction team under the provincial military district specializing in training militia and reserve units, and visited Minsheng pharmaceutical plant, which has a program of combining production with antichemical warfare training for its young militiamen. The group also visited our province's coastal cities.

**Central-South Region**

**Guangdong Holds Meeting of County Leaders**  
*HK0106031788 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 31 May 88*

[Text] Following the conclusion of the sixth Guangdong provincial party congress, the new provincial party committee immediately convened a meeting of county party committee secretaries to arrange the work for the 2d half of the year. This meeting was held in Guangzhou on 29 and 30 May. Provincial party committee Secretary Lin Ruo presided and made a speech. Ye Xuanping, deputy secretary of the provincial party committee and governor; Guo Rongchang, deputy secretary of the provincial party committee; Song Zhiying, Wang Zongchun, and Zhang Juhui, members of the Standing Committee of the provincial party committee; and Ling Botang, vice governor, spoke at the meeting. Xie Fei, deputy secretary of the provincial party committee, delivered a summation.

In their speeches, they made a full analysis of the excellent situation in reforms, opening up, and economic construction in Guangdong since the beginning of the year, and outlined arrangements for all work in the 2d half of the year.

**U.S. Joint Venture To Open Shenzhen Plant**  
*OW2805083088 Beijing XINHUA in English 1424 GMT 25 May 88*

[Text] Beijing, May 25 (XINHUA) — China Hewlett-Packard Co. voted earlier this year by "ECONOMIC DAILY" as one of the top 10 joint ventures in China, will open a new high-tech plant in Shenzhen in July.



This was announced at a press briefing here today by Hewlett-Packard (HP) President and Chief Executive Officer John Young.

The plant will manufacture two analytical instruments widely used in chemistry labs and will become HP's principal worldwide supplier of these products, replacing one of HP's plants in the United States, Young said. About 90 percent of the new plant's output will be exported.

HP will transfer advanced production technology to the Shenzhen plant, and the company hopes to expand the operation later to include other HP products, such as test instruments and medical equipment.

China Hewlett-Packard was founded in 1985 by Hewlett-Packard, China Electronics Import and Export Corporation and two other Chinese companies. The joint venture now has a staff of 300 people working in 4 branch offices in Beijing, Shanghai, Shenzhen, and Hong Kong.

In a survey earlier this year by "ECONOMIC DAILY", China Hewlett-Packard was rated one of the 10 best joint ventures for its successful performance in research, production, and management.

Philip Yu, general manager of China Hewlett-Packard declined to tell the company's business volume last year, but said that revenue from November 1987 to April this year rose by 45 percent against the same period for the last fiscal year.

Hewlett-Packard, which was started 49 years ago by two Stanford graduates in a shabby Californian garage, is now a multinational manufacturer known for its measurement and computation products and systems. Turn-over last year reached 8.1 billion U.S. dollars.

HP's cooperation with China dates back to the early 1970s, and its products are now used by many Chinese customers. China Hewlett-Packard has joint development programs with several Chinese universities.

China Hewlett-Packard has had its troubles in the past 3 years, Philip Yu admitted. But the company has been growing at a rate of between 30 and 40 percent annually.

**Reform Enables Shenzhen To Increase Farm Exports**  
*OW3105131688 Beijing XINHUA in English*  
*1355 GMT 30 May 88*

[Text] Shenzhen, May 30 (XINHUA) — In Guangdong Province, intensive farming has helped Shenzhen, one of China's four special economic zones, boost agricultural production.

According to a city official, Shenzhen exported 97 million U.S. dollars worth of agricultural products last year, with average export value at 400 U.S. dollars per farmer.

The official also said, with a rural population of 250,000, the city has built 8,000 farms which raise livestock, poultry, fish, potted flowers, fruits and vegetables.

The city agricultural office reported, Shenzhen sold 69,000 tons of vegetables, 12 million live chickens, ducks and geese, 12,000 tons of seafood, 7,000 tons of fruit, and 15 million liters of fresh milk to Hong Kong last year, which were worth a total of 764 million Hong Kong dollars (101 million U.S. dollars) and up 26 percent over the 1986 figures.

The official attributed Shenzhen's intensive farming structure to the city's foreign trade system reform which has allowed agricultural departments more autonomy.

At present, seven agricultural firms in Shenzhen have the power to export products, while Hong Kong business people can contract to drive trucks into Shenzhen to pick up fresh produce and other products.

To solve the shortage of funds and introduce more new agro-techniques, the city has sealed more than 600 contracts on joint venture projects worth 82 million U.S. dollars and 60 million yuan (16.2 million U.S. dollars) with business firms from 16 countries and agricultural research institutions in a dozen provinces and municipalities.

Shenzhen has also set up various special service companies to assist local farmers, with these companies handling funding, information, seedlings, agro-techniques, fodder, raw materials for processing, and the purchasing and shipment of farm products.

The city's Agro-Science Research Institute and its branches are introducing advanced technology and finer crop strains to help farmers produce more and better products.

**Guangxi To Establish New Development Zone**  
*HK3105103888 Nanning Guangxi Regional Service*  
*in Mandarin 1030 GMT 30 May 88*

[Excerpts] An autonomous regional people's government on the spot work meeting that concluded yesterday in Guilin City formally approved the establishment of a new technology and industrial development zone in Guilin. This zone is about 15 square kilometers, with the city's (Zhonghuan) road as its heart. [passage omitted]

The on the spot work meeting was presided over by Li Zhenqian and Zhao Weichen, leading comrades from autonomous regional organizations. Attending the meeting were leaders of Guilin and responsible persons from the relevant regional and city departments.



**Hainan Party Leader Visits Chengmai County**  
HK3105113088 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 30 May 88

[Excerpt] From 27 to 28 May, Xu Shijie, secretary of the Hainan Provincial CPC Work Committee, visited Chengmai County to conduct investigations and studies. During the visit, he discussed with the local cadres and peasants plans for achieving prosperity. He encouraged them to exert themselves in developing local industries and rural commodity production and in raising the people's living standards. [passage omitted]

**Hainan, Italian Firm Agree on Joint Venture**  
HK3105122888 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 30 May 88

[Excerpts] The China Hainan Petrochemical Corporation and the Italian (Anni) Chemical Company on 13 May signed a letter of intent to build a large-scale joint venture ethylene plant in Hainan. This will be Hainan Province's first Chinese-foreign joint venture of this nature. The letter of intent was signed in Rome, the capital of Italy. [passage omitted]

According to the letter of intent, a total of \$580 million will be invested in this ethylene plant construction project. After the plant is put into production, it will produce annually 250,000 tons of ethylene, 240,000 tons of polyethylene, 120,000 tons of polypropylene, 60,000 tons of styrene, and 100,000 tons of other chemical products. The plant's total annual output value will reach 3 billion yuan, and its annual foreign exchange income from exports will reach \$300 million.

According to the letter of intent, 30 percent of the total investment will be provided by the Italian chemical company and 70 percent of the total investment by the Chinese side. The Chinese side's 70-percent investment will be provided by the Italian Government in the form of a long-term low-interest loan.

The two sides will work out a feasibility report in mid-June in Haikou. The two sides will jointly decide on the construction site and will also handle various matters relating to the joint venture. [passage omitted]

On 19 May, Italian Deputy Prime Minister De Michelis met with (Yang Yibang), president of the China Hainan Petrochemical Corporation, and (Zhu Chengbai), commercial counsellor of the PRC Embassy in Italy. The Italian deputy prime minister said that the Italian Government would actively help the Chinese and Italian sides bring the joint venture to a successful completion.

In his letter to Liang Xiang, principal responsible person of the Hainan provincial government, the Italian foreign minister conveyed his congratulations on the friendly Chinese-Italian cooperation.

**Thai Company Invests in Hainan Province**  
OW2805112788 Beijing XINHUA in English  
1436 GMT 27 May 88

[Text] Haikou, May 27 (XINHUA) — The Chai Tai Development Co. Ltd of Thailand will invest a total of 20 billion Hong Kong dollars to set up a company in Hainan Province.

The Chai Tai Hainan Development Co., which is to be involved in prawn breeding, pig raising, and petrochemicals, will be the biggest foreign-funded company in Hainan, according to an official from the provincial government.

Ngai Man, the Thai company's president, said that for newly-opened islands like Hainan, the first thing to do is to develop agriculture. That is why his company is investing, he said.

**Hainan Villagers Obstruct Mineral Exploitation**  
HK3105104488 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 30 May 88

[Text] Danxian County recently put an end to activities obstructing the rational exploitation of mineral resources, thus safeguarding the sanctity of the law on mineral resources and facilitating the exploitation of mineral resources.

In early March, the Danxian County Development and Construction Corporation and the Hong Kong (Liang Cheng) Company reached an agreement on exporting 5,000 tons of quartz sand prior to the end of April this year. After the signing of the agreement, the county corporation went through the relevant official formalities, acquired the right to exploit quartz sand in (Guangchun) Town, Danxian County, and gave the town a sum of money for developing production.

On 25 April, the county corporation sent a team to the town quartz sand mine to build a road. On 28 April, over 20 people from (Guangchun) Town's (Shadi) Village obstructed the building of the road. To stop this obstruction, the county and town governments sent a work team to the scene of the incident. Through publicizing the law on mineral resources and using the method of persuasion and education, representatives from the village and the town government reached an agreement guaranteeing that similar incidents would not recur.

However, when the county corporation sent trucks to pick up quartz sand on 1 May, a number of young men from the village blocked the way and obstructed the trucks from carrying out their work. To prevent the disruption of the exploitation of mineral resources, the Danxian County Public Security Department has taken in [shou rong] and interrogated a small number of principal troublemakers in accordance with the law.

**Hubei Faced With Public Security Problems**  
*HK3105112488 Wuhan Hubei Provincial Service  
in Mandarin 1130 GMT 30 May 88*

[Excerpts] A provincial public security work conference that concluded today stressed: Party committees and governments at all levels must conscientiously pay close attention to promoting public security work and adopt effective measures to promote this summer's public security work.

The conference noted: Overall, the current provincial public security situation is basically stable. However, our province is still faced with very complicated public security problems. During the January-April period, there was a big rise in the number of serious criminal cases; vicious violent cases that seriously jeopardized public security occurred frequently; there was an increase in the number of robberies; the criminal activities of hooligan groups gained ground once again; and the public security situation in a few areas was not good.

In light of these conditions, party committees and governments at all levels must attach major importance to public security work and must on no account lower their guard. [passage omitted]

During the conference, (Tian Qiyu), a Standing Committee member of the provincial party committee and secretary of the provincial Political and Legal Commission, made arrangements for this summer's public security work on behalf of the provincial party committee. (Han Hongshu), vice governor, demanded that governments at all levels strengthen leadership over public security work and actively help political and legal departments improve working conditions in this regard. [passage omitted]

**State Council Approves Hunan's Further Opening**  
*OW3105131888 Beijing XINHUA Domestic Service  
in Chinese 0819 GMT 27 May 88*

[Text] Changsha, 27 May (XINHUA) — With the approval of the State Council, Hunan Province will try to accelerate its economic development by further opening up to the outside world.

After the central authorities decided to make Guangdong Province a comprehensive testing zone for reform and opening to the outside world, the Hunan provincial government recently decided to deepen reform and accelerate opening up to the outside world. At a time when economic development in the coastal areas is stimulating development in the hinterland, the Hunan authorities decided to take advantage of the favorable conditions in their province, which is situated between Guangdong and the hinterland, to develop the productive forces and an export-led economy in the province.

The main points of Hunan's program to accelerate opening up to the outside world are as follows: Hengyang City, Lingling Prefecture, and Chenzhou Prefecture, which borders Guangdong Province, will be made into transitional testing zones where transitional policies and flexible measures will be enforced in order to invigorate the economy in southern Hunan, thus enabling this region to lead other areas in the province in reform and opening up to the outside world. Agricultural development in southern Hunan will be accelerated by establishing a comprehensive base for producing farm products for export. Policies will be adopted to encourage inter-provincial lateral economic associations and to promote economic and technological cooperation between Hunan and Guangdong and other coastal areas. Coordinated reforms in the fields of economy, trade, science, technology, credit, and finance will be carried out to meet the new requirements of economic development in Hunan and the coastal areas.

The Hunan provincial people's government is studying measures for accelerating development by further opening up to the outside world and is trying to ensure that initial work in this regard proceeds steadily and soundly.

**Paper Discusses Hunan Private Grain Shops**  
*HK3105010488 Beijing NONGMIN RIBAO  
in Chinese 16 May 88 p 1*

[Report by Shen Xiping (3947 0823 1627) and Zuo Keqin (1563 0344 0530): "Forty Private Grain Shops Set Up in Shaodong County"]

[Text] "In the past, once spring came, households short of grain had to worry about how to obtain grain. Now with privately run grain shops around, we can obtain grain anytime. We need no longer worry about finding rice for the pot." This is what the grain-deficient households in the countryside of Shaodong County, Hunan Province said in praise of private grain shops. According to an investigation by a relevant department, more than 40 private grain shops successively appeared in the county seat from the winter of last year to date. Up to the end of April, 1.25 million kilograms of rice were sold.

In the past few years, the commodity economy in Shaodong County has shown relatively quick development. Half of male and female workers have jumped out of "the confines of agriculture" to engage respectively in secondary and tertiary industries. After they leave the fields, most of them transfer their land to others on a contract basis. They have to obtain most of their grain from the market. Meanwhile, more than 10,000 peddlers here from other areas also rely on grain purchases to fill their needs. Due to a gradual increase in the number of people consuming commodity grain, individual operators: from Xishi Town first set up 10 or so grain shops in the county seat. Then more than 30 also successively appeared in Lianqiao, Longpo, Huochangping, Yutianqiao, and other towns and townships.



The rice price of these private grain shops is generally 91 cents a kilogram. It is six or seven cents lower than in neighboring counties and cities and also lower than the state negotiated grain price. Thus that segment of the county's grain market that should become active really thrives. Despite a reduced grain output in the county last year, there has at present been no shortage of grain.

### North Region

**Beijing Mayor Urges Cadres To Practice Honesty**  
OW2705050988 Beijing XINHUA Domestic Service  
in Chinese 1348 GMT 25 May 88

[Text] Beijing, 25 May (XINHUA) — "Communist 'officials' must never seek special privileges and go after personal gains by abusing power at any time or under any circumstances. Communist cadres must be able to pass the most rigorous test of not seeking personal gain through the influence of their power in the period of reform. Leading cadres of state organs in Beijing Municipality must take the lead in working hard and honestly to advance the city's ongoing reform."

This was said by Chen Xitong, state councillor, mayor of Beijing, and deputy secretary of the Beijing Municipal CPC Committee, while attending a party work meeting of Beijing's state organs today.

He said: To work industriously and honestly means refraining from seeking personal comfort while striving to do more good things for the people. In Beijing there is quite a number of state organization "officials." There are over 4,000 leading cadres at and above the sectional level. These "officials" have power in their hands, and their organizations have money. With these two things, leading cadres find it very easy to seek personal gain with the power at their disposal. Therefore, "officials" of state organizations must remain particularly vigilant and must never seek personal gains by abusing the power and money in their hands. Communist "officials" are entrusted with the only right to serve the people and do good things for them, and must harbor any idea of going after personal comfort. In particular, as the current reform is at a critical juncture, our state organization "officials" should all the more be honest and work for the public wholeheartedly and share weal and woe with the people in order to carry out reform successfully.

Chen Xitong said: To adopt a correct attitude toward price reform is necessary to solve successfully one of the problems of our current reform. Currently, a lot of people do not understand the reason for carrying out price reform, so they criticize it and even complain bitterly about it. Besides, quite a number of cadres and civilians have complained that a subsidy of 10 yuan is inadequate. The feedback from various quarters shows that there are problems, but our country's financial strength is limited. We all should work together to overcome this temporary difficulty. Therefore, we should sail in the same boat. At such a critical juncture,

state functionaries, particularly leading cadres, should support and set an example in implementing the policy on price reform. At the same time, they should try to patiently publicize and explain the significance of price reform among the masses. If we can solve this problem, victory will come into sight soon.

Chen Xitong said: Compared with the past, all of us are living a better life, though not a very prosperous one. Under the present circumstances where the country is not yet prosperous, communists can show more explicitly their progressiveness by being honest and being concerned about the affairs of state before others and being the last to enjoy comfort. Therefore, whatever difficulties they face, our communist cadres must set an example in working industriously and honestly.

Chen Xitong recalled that the past 10 years of reform have brought about tremendous changes to the people's standard of living in Beijing. He said: In the past 10 years, each victory we have won we had to overcome numerous difficulties. The majority of the cadres and communists throughout the municipality have withstood the test, and only a small number failed. In the current process of reform, our communist cadres must continue to faithfully carry out the party Central Committee's line, principles, and policies and to maintain political unity with the party Central Committee. This is the most important criterion for determining the quality of every cadre. It is also the principal criterion for determining whether we are honest and public-minded.

Chen Xitong stressed: While calling for working industriously and honestly, we should also rely on education, that is, we should organize cadres to study the "ABC's" of the party (meaning basic knowledge concerning the party). At the same time, discipline inspection, supervisory, and auditing departments should exercise supervision. Things will be easy and can certainly be accomplished successfully as long as we act upon the rules of the party.

**Hebei's Xing Chongzhi's 'Four Points of Hope'**  
SK2805133288 Shijiazhuang HEBEI RIBAO  
in Chinese 10 May 88 p 1

[Speech by Xing Chongzhi, secretary of the Hebei Provincial Party Committee, at a meeting to congratulate new leaders held at the provincial government building on 10 May, entitled: "Four Points of Hope"]

[Text] The first session of the seventh provincial People's Congress and the first session of the sixth provincial CPPCC Committee were concluded successfully. Generally speaking, these two sessions were successful. In line with the Constitution, and through democratic consultation and repeated discussions, these two sessions elected new leading bodies of the People's Congress, the government, and the CPPCC Committee, as well as leaders of the Higher People's Court and the People's Procuratorate. They thus realized cooperation smoothly between



old and new cadres and the succession of the new following the old. All present today are newly elected leading bodies and the principal leading members of the "Higher People's Court and the People's Procuratorate." Let me extend warm congratulations to all comrades on behalf of the provincial party committee.

During the past 5 years, leading bodies of the sixth provincial People's Congress, the fifth provincial CPPCC Committee, the last government, the People's Court, and the People's Procuratorate have carried out much effective work in implementing the guidelines of the 3d plenary session of the 11th party Central Committee and all tasks put forward by the 13th party congress; developing socialist democracy; improving the socialist legal system; promoting the province's reform and opening up; and strengthening the building of the two civilizations. Your ideology, moral character, and mental outlook of serving the country and the people; giving consideration to the overall situation; working with one heart and one mind; maintaining unity and cooperation; and working diligently in your careers have exerted a profound influence on people throughout the province. These actions have played an important role in consolidating and developing a stable and unified political situation in Hebei, and in promoting the building of the two civilizations. The new leading bodies must not disappoint the party Central Committee's trust and the heavy trust of the provincial people. The new leading bodies must perform their duties and responsibilities well, work wholeheartedly, and, based on the work of the last leading bodies, strive to create a new situation in Hebei's work and to better fulfill all fields of work with a new attitude, a new outlook, and a new workstyle. Since the people have trusted us greatly, we must satisfy them. In this connection, I would like to put forward four points of hope.

First, we should let reform play a dominant role in our overall work. In Comrade Zhao Ziyang's report at the 13th party congress and in Comrade Li Peng's "Government Work Report" at the 7th NPC, they summed up the most precious experience in reform and construction over the past few years: Construction must rely on reform and in turn, reform must promote construction. Only by letting reform play a dominant role in our overall work can we grasp the essence of the development of matters, judge more accurately the priorities of matters, and stimulate all fields of work. This fundamental experience and guideline must be understood profoundly. Over the past few years, our province has done much in reform, which plays an important role in promoting economic construction. However, as the deputies and delegates pointed out at the two sessions, compared with advanced provinces and cities, our ideology is not liberated adequately, and our pace of reform is not fast enough. This has reflected concentratedly the provincial people's pressing hope to accelerate reform and construction. The situation urges us to intensify our sense of urgency and to catch up with others. From the provincial party committee to the People's Congress, the

government, and the CPPCC Committee, all should further emancipate thinking and promote realistically the province's work in line with the ideology of letting reform play a dominant role in our overall work. All of our principal leading bodies have their own functions. However, their basic tasks and objectives are identical: Implementing the party's basic line during the initial stage of socialism. It is necessary to unceasingly sum up experience in order to successfully exercise their own functions and to sing "in chorus." The provincial party committee has the duty and obligation to create positive conditions for the other principal leading bodies to display their own role. At the same time, it must also be supported and supervised by other organizations. We should coordinate with, support, and trust one another and, focusing on the central task of economic construction, uphold the four cardinal principles, adhere to the two basic points of reform and opening up, and carry out our own functions in various fields to facilitate the development of productive forces. We should develop fully our own functional role, change, improve, and strengthen our functions; do a good job in reform and construction with a pioneering spirit; and provide favorable external conditions for the entire economic and political structural reform. At present, the emphasis of the economic structural reform is to improve and develop the operational mechanisms of enterprises, strengthen enterprises' managerial power, further invigorate enterprises, and emancipate productive forces. In particular, we should give managerial autonomy to large- and medium-sized state enterprises to enhance their impetus for development, accelerate their technological progress, and improve their economic results. This year, after conducting thorough investigations and study, we should formulate realistic plans to construct and develop the Qinhuangdao-Tangshan-Cangzhou-Bohai Bay open zone, and make sure that actual results are achieved. The provincial party committee earnestly hopes that you comrades will pay more attention to, use your brains more for, exert more efforts toward, and make more contributions to reform and opening up, and that you will greatly develop our province's economic construction during your 5-year tenure.

Second, we should further improve socialist democracy. The report to the 13th party congress points out: "The process of developing the commodity economy should be one of building socialist democratic politics." To establish the socialist political system with a high degree of democracy gradually is one of the basic tasks in the initial stage of socialism. Our political structural reform is carried out for the purpose of building socialist democratic politics with Chinese characteristics. At present, a great deal of work remains to be done in building democratic politics. Through meticulous and painstaking investigation and study, we should summarize the experiences created by the masses, understand their demands and desires, and correct their ideas so they can further free themselves from the influence of feudal, traditional, and "leftist" ideas, and greatly advance the building of democratic politics. At these two sessions,

the participants displayed a strong sense of democracy as masters, and political enthusiasm for participating in and discussing politics. To enable Hebei's economy and other work to rank among the best in the country as quickly as possible, they demonstrated a strong sense of responsibility and offered many very good opinions and suggestions. We should not only classify and sort out the opinions, suggestions, and various proposals the participants submitted, and have the relevant departments of the provincial party committee and government study, solve, and implement them in a conscientious and responsible manner, but also further advance the democratic spirit displayed at these two sessions, and popularize and implement it among people throughout the province. We should further enhance the people's understanding of masters, and guide them to not only bravely express criticism and expose defects but also to offer more constructive opinions and methods for solving problems. We should guide them to study ways to put these into effect through legislation so the people can play a more effective role in participating in and discussing politics. With the masses of cadres and people possessing the democratic spirit of participating in and discussing politics, we will be able to surmount all difficulties as we advance, and reform and construction will be carried out more successfully. We should rely on systems and legality to build socialist democratic politics. Therefore, we should further improve the basic systems of socialism, including the People's Congress system, the system of multiparty cooperation and consultation under the leadership of the Communist Party, the democratic electoral system, and the regional national autonomy system. We should also give full play to the role of social organizations. We should improve the democratic management of grass-roots units, and develop the masses' autonomy in grass-roots social life. We should establish and improve the system of consultation and dialogue, and make the activities of leading organs more public. We should have higher levels supervise lower levels and also strengthen the supervision lower levels exercise over higher levels, and subject all our powers to the supervision of the masses and the law.

Third, we should strengthen unity. The next 5 years will be an important period of development in Hebei's history. Through our struggles and the hard work of people throughout the province, Hebei should enter the front rank of the country and enable people throughout the province to achieve common affluence as quickly as possible. We should unite with absolute sincerity and be of one heart and one mind for our cause and for the interests of the 57 million people in the province. Both the party and people outside the party, and both higher and lower levels should do a good job of unifying. Above all, the several major leading bodies of our province should successfully strengthen the unity of the people both in and outside the party. When we stress this, we do not mean that we have problems of unity. Our intention is to remind people to always pay attention to this issue. Hebei's situation of stability and unity has not been easily created. This is the political prerequisite for our

success in various work. In any locality, if we do not bear this in mind and waste our energy in unprincipled disputes, weighing personal feelings of gratitude and resentment and personal gains and losses, as well as buck-passing, carrying out reform with the utmost effort and wholeheartedly engaging in construction will be out of the question. It is hoped that every member of the new leading bodies will always place unity in an important position, always take the overall situation and our cause into account, learn from, respect, support, understand, and help one another; exert concerted efforts; bravely carry out work in the process of reform and construction; fully develop his talents and wisdom; and continuously advance undertakings in various fields.

Fourth, we should have good workstyles. At the recent first plenary meeting of the State Council, Comrade Li Peng pointed out that the new government should inherit and carry forward good traditions and workstyles, and that it should also have new workstyles. Major new workstyles mean that 1) one should be honest and upright in handling government affairs, 2) one should strengthen the sense of organization and discipline, and 3) one should overcome bureaucracy and raise work efficiency. These three workstyles are applicable to us, and we should regard them as demands on us and on all cadres. Our party is a ruling party, and its party style is closely related to the government's style. In the current situation, it is very important for party and state work personnel to be honest and upright in handling governmental affairs. Comrade Zhao Ziyang once said that the economy should flourish, and that the government should be honest. The people present here, including the Standing Committee members of the provincial party committee and me, should handle party and governmental affairs strictly in resolute accordance with the demands of the 13th party congress and the 1st session of the 7th NPC. The people present here should take the lead in carrying forward the fine workstyles of being honest in performing our official duties, carrying out arduous struggles, being diligent and conscientious, and exerting vigorous efforts to make the country prosperous; and should establish a good practice of being honest, upright, highly efficient, and realistic.

To facilitate the development of our province's reform and other undertakings, we should adhere to the ideological line of seeking truth from facts in carrying out all our work and in handling all our affairs. We should develop the fine workstyle of working in a down-to-earth manner. We should proceed from reality when setting forth demands and making decisions; exert earnest and practical efforts; and refrain from making empty talk, glossing over faults, exaggerating achievements, and engaging in formalism while carrying out all our work. We should diligently carry out solid work to make solid progress.

In short, it is hoped that those of you who are newly elected will work in a down-to-earth manner with a pioneering spirit and high morale in your new work



posts, and exert the utmost effort to make proper contributions to revitalizing Hebei.

**Shanxi Businessmen Engage in Illegal Activities**  
*OW3105050788 Beijing XINHUA in English*  
1144 GMT 30 May 88

[Text] Beijing, May 30 (XINHUA) — A transportation company in north China's Shanxi Province has been found guilty of taking advantage of the country's ongoing housing reform.

According to today's "ECONOMIC DAILY," the Fenyang County firm violated State Council regulations by selling housing to its employees at a discount rate.

Selling state-owned houses to individuals is one way China's housing reform is easing the nationwide housing shortage, but the state has stipulated apartment space cannot be sold at a price less than 100 yuan (27.00 U.S. dollars) per square meter.

Ignoring state regulations, the Fenyang company sold 490 apartments to its employees for prices ranging between 40 and 15 yuan (11 and 4 U.S. dollars) per square meter, which has brought great economic loss to the state and the company, the paper said.

"The most serious problem is that the company's manager Sun Youyuan and party Secretary Ren Jingchun benefitted most from the incident," the paper said.

Sun and Ren each bought a seven-room apartment for 2,458 yuan (664 U.S. dollars), which according to state regulations should cost 10,000 yuan (2,700 U.S. dollars), the paper explained.

Under the reform, regulations are worked out to protect the interests of the state, enterprises and individuals, the paper said, and it is wrong for leaders and officials to abuse their power for personal gain.

**11th Tianjin People's Congress Conducts Business**

**Candidates Meet Congress**  
*OW2705040188 Beijing XINHUA Domestic Service*  
in Chinese 1222 GMT 22 May 88

[News Feature by XINHUA reporter Douheyi Majie: "Examined by the People's Deputies — on an Appearance of Candidates Vying for Tianjin's Vice Mayoralship"]

[Excerpts] Tianjin, 22 May (XINHUA) — During the 1st session of the 11th Tianjin Municipal People's Congress last evening, each of the 11 candidates vying for Tianjin's vice mayoralship ascended the stage to state his or her views to the people's deputies and accept their examination and selection.

The 11 candidates, among whom 8 will be chosen as vice mayors, are recommended by a majority of deputies in Tianjin after repeated democratic consultations.

During the meeting last evening, each of the candidates had to make a speech not longer than 10 minutes, and no scripts were allowed. [passage omitted]

Lu Huansheng, 55, is currently director of the Tianjin Water Conservancy Bureau. His candor and straightforwardness made him a "rightist" for 22 years and caused him untold frustrations, including the departure of his wife and children. Misfortune, however, did not stop his dedication. After his rehabilitation in 1979, a book which he wrote during his adversities was published. Later he was appointed deputy director and then director of the municipal Water Conservancy Bureau. He never dreamed of being nominated to be vice mayor of Tianjin. Because of excitement, this usually strong man was close to tears when he made his speech last night. He said: If I am elected, I will work doubly hard, and will share weal and woe with people in Tianjin in building Tianjin into a world famous city.

Although he was not very eloquent when he made the speech, and he even forgot part of what he wanted to say, he won the longest applause last night.

The meeting last 90 minutes. In their speeches, all the candidates expressed one wish: If elected, they are determined to make the government an efficient and honest one; and if they are not elected, they will continue to work hard for the four modernizations.

When the 11 candidates finished their speeches, Li Ruihuan, himself a candidate for the mayoralship, said happily: All the 11 candidates are competent to be vice mayors and are people whom I would like to work with. If I can continue to be mayor and have such good partners, I am fully confident that Tianjin's work will be accomplished well.

**Standing Committee Holds Meeting**  
*SK2905031588 Tianjin City Service in Mandarin*  
2200 GMT 28 May 88

[Text] The 11th municipal People's Congress Standing Committee held its first meeting of chairman and vice chairmen at the meeting room of the municipal People's Congress Standing Committee on the afternoon of 28 May. Wu Zhen, chairman of the municipal People's Congress Standing Committee, presided over the meeting.

The meeting defined the work divisions of the chairman and vice chairmen of the Tianjin Municipal People's Congress Standing Committee and decided to hold the first meeting of the municipal People's Congress Standing Committee from 2 to 3 June.



Liu Zengkun, Yang Jianbai, Fan Quan, Tan Tianyao, Yu Fujing, Shi Jian, (Zhu Wenjing), Bai Hualing, and Pan Yiqing, vice chairmen of the municipal People's Congress Standing Committee, attended the meeting.

**Shandong Economic Group Arrives in Tianjin**  
*SK2905024588 Tianjin City Service in Mandarin*  
2200 GMT 28 May 88

[Text] The Shandong provincial economic cooperation observation group led by Liang Buting, secretary of the Shandong provincial party committee, and Tan Qinglian, vice governor of Shandong Province, investigated and visited Tianjin from 25 to 28 May, and was warmly welcomed and received by the municipal party and government leaders, as well as people of departments concerned.

Since the establishment of long-term cooperative relations between Tianjin Municipality and Shandong Province in 1982, both sides have carried out multilayered and multichanneled economic and technical cooperation in various forms and have developed enterprise cooperation around the goal of jointly developing raw materials in short supply and nonstaple food production, expanding export trade, and developing technological progress. The results are getting better. So far, both sides have completed nearly 400 technological, personnel training, and economic cooperative items.

**Discussion Summary Signed**  
*SK2905024388 Tianjin City Service in Mandarin*  
2200 GMT 28 May 88

[Text] The Tianjin municipal people's government and the Shandong provincial people's government held discussions on implementing the coastal economic development strategy and further developing economic cooperation between Shandong Province and Tianjin Municipality. A summary of the discussions was signed in Tianjin on 28 May.

Li Ruihuan, secretary of the municipal party committee and mayor; Zhang Lichang, vice mayor; Liang Buting, secretary of the Shandong Provincial party committee; and Tan Qinglian, vice governor attended the signing ceremony. Before the ceremony, both sides held cordial talks.

Liang Buting, secretary of the Shandong Provincial party committee, said: Both Shandong and Tianjin are situated in the coastal open zone. It is essential for both sides to join hands in reform, opening up, and developing an export-oriented economy. These cooperative relations should be established based on mutual assistance, equality, mutual benefits, common development, and faithful cooperation.

Comrade Li Ruihuan was satisfied with the contacts and cooperation between Tianjin and Shandong over the last few years. He stressed: During cooperation, it is necessary to establish a socialist relationship of a new type and develop one's own superiority in an effort to promote economic development. He sincerely hoped that both sides would find a road favorable for implementing the central authorities' coastal economic development strategy and for developing lateral cooperation.

**Journal Discusses Taiwan's 'Dual Recognition'**  
*HK2705044088 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 21, 23 May 88 pp 6-7*

[Article by Yi Hao (4135 3185): "Is Taiwan's 'Dual Recognition' Workable?"]

[Text] Not long after his assumption of office, Li Teng-hui aired his views on Taiwan's "flexible diplomacy" and on how to resolve Taiwan's participation in the Asian Development Bank's (ADB) annual meeting and other international organizations. Subsequently, the Taiwan authorities announced that Taiwan would send a delegation to the ADB annual meeting held in Manila in April this year. Previously, Taiwan had been absent from the ADB annual meeting for 2 consecutive years because it refused the ADB Board of Directors' demand that Taiwan attend the meeting under the name "Taipei, China." Now the Taiwan authorities have changed their attitude. In addition, public opinion on the island has started a heated discussion on how it should "free itself from a diplomatic predicament and return to the international community," a question that has long been a headache to Taiwan.

As everyone is aware, Taiwan has been unable to exert itself "diplomatically" for over 20 years, and only 22 states in the world have established "diplomatic" relations with it so far. Of the 10 intergovernmental international organizations in which Taiwan still maintains membership, the ADB and Interpol have made a decision to accept the PRC as a formal member while demanding Taiwan use the names of "Taipei, China" and "Taiwan, China." After Uruguay broke off diplomatic relations with Taiwan in January this year and established diplomatic relations with the PRC, the Taiwan authorities felt that this shattered "diplomatic" position would not last long.

The Taiwan authorities' isolation in the international arena is inseparable from their obstinate refusal to accept the concept of "one country, two systems." This has caused all sorts of inconvenience to the people on the island in their contacts with foreign countries. Following Taiwan's economic development in recent years in particular, more and more people on the island have nursed dissatisfaction at the authorities' "diplomatic" cul-de-sac. They say the "Foreign Affairs Ministry" is a "breaking-off-relations ministry" and demand that the authorities give up their rigid stand of "remaining opposed to traitors." This desire for a change is understandable. But what is noteworthy is this: Wei Yong, "director of the Review Office of the Taiwan Executive Yuan," pointed out while answering questions put by a "Legislative Yuan member" on 22 March that the Taiwan authorities should accept the concept of "dual recognition" so as to "free themselves from diplomatic isolation," thereby arousing repercussions in Chinese press circles on the island and overseas.

"Dual recognition," as Mr Wei explained, is aimed at separating the "country's reunification" from "diplomatic recognition." Under the principle of "one China," they want to learn from the experience of the FRG and South Korea in adopting "flexible policies according to the change in the situation" in the diplomatic field, in an attempt to maintain Taiwan's independent political status in the international arena. In such cases, Taiwan will be able to maintain its "diplomatic relations" with countries that have recognized the PRC or even to resume its "diplomatic relations" with countries that have abolished their "recognition" of the "Republic of China" and established diplomatic relations with the PRC. In addition, they also hope that international organizations will accept Taiwan's "dual membership." Mr Wei reaffirmed on 26 April that "dual recognition" was "one of the methods to break through the diplomatic predicament."

Not long after this, Professor Chiu Hong-ta of Maryland University in the U.S., wrote an article providing a legal basis for Mr Wei's "dual recognition." In Chiu's opinion, maintaining diplomatic relations with countries simultaneously having diplomatic relations with the PRC and Taiwan does not in legal terms constitute the idea of "two Chinas" so long as Taiwan "subjectively does not consider this approach being aimed at creating 'two Chinas' but being just a transitional measure taken before the country's reunification." Major newspapers in Taiwan and quite a number of experts and academics then made comments highly appreciating Mr Wei's "dual recognition" program and pointing out that this program "should be considered and put into effect," that it was a "breakthrough," and that its "major significance" lay in changing moral diplomacy characterized by "remaining opposed to traitors" into "realistic diplomacy." Some newspapers have commented that the most important task now is to "enable the international community to understand that Taiwan is a political entity and that the problem of reunification is a historical issue for the future." At a "foreign affairs seminar" held by the "Foreign Affairs Committee of the Legislative Yuan" of Taiwan in mid-April, some academics pointed out that "dual recognition" was Taiwan's "effective method to strive for international recognition." But others said that it was "unlikely to produce effective results." Many other comments were made at the seminar, but no unanimous understanding was reached.

Is "dual recognition" workable, after all? The writer would like to air his views in passing. First, it is the writer's opinion that we should face reality when discussing this issue, otherwise we will arrive at an insignificant conclusion.

These are the facts: After a protracted heroic struggle, in 1949 the Chinese people overthrew what was termed the old government of the Republic of China and established the People's Republic of China. Now 135 countries in the world have recognized the PRC Government as the only legitimate government of China and that Taiwan is



an integral part of Chinese territory. These countries have established diplomatic relations with the PRC on this basis. Moreover, the UN General Assembly adopted a resolution in 1971 expelling Taiwan from China's seat at the United Nations, that it had illegally occupied, thus restoring the legitimate status of the Chinese Government in the international community. Hsueh Yu-chi, a "qualified diplomat" of the KMT [Kuomintang], recently contributed an article to the CENTRAL DAILY NEWS relating the bitter feeling that Taiwan authorities are experiencing at present. The article pointed out: "It is unfortunate that some friendly countries have broken off diplomatic relations with us. But this is not the end of our diplomacy and it does not mean that there is no other way out." The article added that the "expelling of Taiwan from the United Nations brought unprecedented failure to Taiwan" but that these two events "had nothing to do with whether Taiwan's foreign policy is rigid." According to this experience, he said, "there is little possibility" of putting the "dual recognition" program into effect. Taiwan academics with political insight also pointed out that in a situation where most countries in the world have recognized the PRC Government as the only legitimate government of China and have established diplomatic relations with it, it "is difficult" for them to establish diplomatic relations with Taiwan.

Second, it must be pointed out that "dual recognition" does not stand in law. According to international law, on the part of a recognizing country, recognition of the overthrown, old government of another country does not exist any longer. Similarly, when a country has recognized the PRC Government, it can no longer assume international responsibility for recognizing Taiwan. A responsible person of the Taiwan "Foreign Affairs Ministry" recently disclosed that there had not been an example of a country simultaneously establishing diplomatic relations with the PRC and Taiwan. Does this not precisely show that countries in the rest of the world know how to observe this international norm? Wei Yong's "dual recognition" is actually aimed at demanding other countries recognize Taiwan as a state so that it will become a political entity. Does this not blatantly create "two Chinas"? Obviously, this concept is not workable. If they want to use it to test the CPC's stand, the answer will be easy to imagine.

In the current discussion on the above issue, what merits attention is the Taiwan authorities' attitude and their dispatching of a delegation to the ADB annual meeting. Over the last month, some Taiwan responsible persons have continued to assert that the concept of "dual recognition" "does not represent the government's foreign policy until it is submitted to the 'Executive Yuan' for approval," that "'dual recognition' is not workable", that "there has been no such example in international practice," and that "it is only a supposition." On the other hand, they instructed their delegation to the ADB annual meeting to try every possible means to wave the banner of the "Republic of China." Two years have passed since the ADB Board of Directors approved a

resolution formally accepting the PRC as a member while demanding Taiwan use the name "Taipei, China." But the Taiwan authorities are still making the above "new attempt" in the "diplomatic field." In such cases, people cannot help suspecting that they persist in "one China" in word but try to create "two Chinas" in deed.

As an editorial in the 26 March Taiwan UNITED DAILY NEWS pointed out, the "diplomacy currently practiced by Taiwan is actually concealed and disguised dual recognition." To free itself from "diplomatic isolation" and to turn it into an independent political entity in the international arena, Taiwan has long engaged in activities similar to "dual recognition," such as using the name "Republic of China" to run nongovernmental commercial organizations in countries that have diplomatic relations with the PRC or trying to develop official or semiofficial contacts with these countries by means of carrying out trade and economic exchanges. Although these activities cannot change the fact recognized the world over that there is only one China, that Taiwan is a part of Chinese territory, and that the PRC Government is the only legitimate government representing the 1 billion Chinese people, we should maintain high vigilance against what the Taiwan authorities are doing. In addition, the writer would like to take this opportunity to advise the Taiwan authorities that they will get nowhere if they do not stop their wishful thinking; they had better consider the practical concept of "one country, two systems" and do something that tallies with the trend of history.

**PRC Will Invite Taiwan To 1990 Asian Games**  
*OW2705054288 Tokyo KYODO in English 0432 GMT*  
27 May 88

[Text] Seoul, May 26 KYODO — China will invite Taiwan to the 1990 Beijing Asian Games, according to the secretary general of the Chinese Olympic Committee.

In a recent interview with YONHAP NEWS AGENCY in Seoul, Wei Jizhong said Taiwan is a member of the Olympic Council of Asia (OCA) and will be treated as such. Beijing will, thus, render every possible assistance to Taiwan as to any other OCA member.

He said China will consider bidding to host a summer Olympics only after the Asian Games are completed.

**Publication of Mainland Books in Taiwan Planned**  
*OW3105135688 Beijing XINHUA in English*  
0110 GMT 31 May 88

[Text] Shanghai, May 31 (XINHUA) — Chinese mainland books will be published for the first time in Taiwan under an agreement signed between the Shanghai Juvenile and Children Books Publishing House and a Taiwan children's bookstore.



Zhang Yingwen, deputy director of the Shanghai publishing house, said today the agreement covers publishing in Taiwan "The Hundred Thousand Questions" — a 14-volume encyclopedia that includes answers to 100,000 common questions in daily life.

The Taiwan bookstore will print 3,000 sets.

The encyclopedia has sold 10 million sets on the mainland in the past 30 years.

The agreement also covers nine picture story books, Zhang said.

He said another Taiwan publishing house also intends to publish a dozen other of his house's children's books, including "Chinese Ancient Fables" and "Chinese Mythology."

Founded 36 years ago, the Shanghai Juvenile and Children Books Publishing House publishes about 300 titles a year.

**Editorial on Mainland-Argentina Missile Deal**  
*OW3005042488 Taipei CHINA POST in English*  
*25 May 88 p 4*

[Editorial: "Peking's Missile Deal With Argentina"]

[Text] The London SUNDAY TIMES reported May 22 that Peking has made a secret deal with Argentina to supply technology for the production of anti-ship and medium-range missiles capable of hitting the Falkland Islands.

The secret deal was reported by Louise Branson of the SUNDAY TIMES from Peking who said the arrangement was made during President Raul Alfonsin's visit last weekend. His visit caused considerable concern in London as the missiles, if coproduced, could threaten Falkland Islands, which are now under British sovereignty.

In return for the technology, Argentina has reportedly agreed to a long-standing Communist Chinese request for access to Argentine research stations and territory in the Antarctic.

The Argentine secret deal, if true, would introduce Chinese Communist-made missiles to South America, threatening Argentina's neighboring nations including Paraguay, with which the Republic of China [ROC] has close diplomatic relations. It will give Argentina a trump card in intimidating other nations in Latin America.

Peking's missile diplomacy has not only threatened the Middle East but also extended its scope to Saudi Arabia with the recent shipments of the CSS-2 liquid fuel missiles with a range of 1,500 kilometers. The missiles, even if not equipped with nuclear warheads and only with conventional explosives, are sufficient to threaten many nations in the Gulf region.

Branson reported that there was speculation in Peking that the Communist Chinese-Argentina deal also involved the CSS-2 liquid fuel missiles, which could easily threaten the Falkland Islands about 800 kilometers from Argentina.

Both the British and the Americans are now alarmed by the Chinese Communist missile diplomacy. Britain has tried since its 1982 war with Argentina to prevent advanced weapons from getting into Argentine hands. It has even tried to persuade the United States to bar the sales of fighter-bombers to Buenos Aires and to prevent the Israelis from supplying the A4 Skyhawk aircraft. It has attempted to join with other industrial nations to try to stem the development of missile technology.

The United States has also tried to persuade Saudi Arabia to let it see the Chinese Communist missiles but was rebuffed by the Saudis.

In view of the dangerous situation created by the Peking regime in stirring up troubles around the world with its missile diplomacy, the time has come for the United States,

Great Britain and other advanced nations to clamp an embargo on the Chinese Communists of technology and sophisticated weapons. The United States especially should place the Chinese Communists back on the restricted list for arms exports from the United States.

The Chinese Communist warmongering activities are causing a havoc not only in the Gulf region but also in the Southern Pacific and Asian Pacific regions, thus threatening the peace and security of this vast area including that of the ROC.

**Trade Policy With Mainland Discussed**

**Direct Trade Prohibited**

*OW3105105688 Taipei CNA in English 0335 GMT*  
*31 May 88*

[Text] Taipei, May 31 (CNA) — The Republic of China [ROC] prohibits direct trade with the China mainland and that indirect trade is not to be encouraged, Vice Economics Minister Wang Chien-shien said Monday.

Wang made the remarks while meeting two groups of U.S. congressional assistants to exchange views with them on economic and trade problems.

A ministry source said that the U.S. congressional assistants expressed concern over the economic and trade developments between the two sides of the Taiwan Straits, post-1997 Taiwan-Hong Kong relations and the sales promotion of U.S. products in the ROC.

Wang told them that the ROC Government prohibited local businessmen from trading directly with the mainland and does not welcome indirect trade with the mainland either.

He pointed out that the indirect ROC-mainland trade of U.S. 1.5 billion is only a small part of the nation's annual trade of more than U.S. \$80 billion.

Touching on ROC-U.S. trade problems, Wang said the U.S. Should know the ROC's sincerity in opening its market as the ROC has been one of the low-tariff countries in the world.

**Easing Indirect Trade Considered**

*OW2905043488 Taipei CHINA POST in English*  
*23 May 88 p 11*

[Text] The Cabinet is considering liberalizing its policy on indirect trade with Mainland China to make such trade more efficient, a Taipei newspaper indicated yesterday.

Quoting a senior Cabinet official, the CHINA TIMES EXPRESS reported yesterday that after the government allowed local people to visit their relatives in Mainland China, the government has had difficulty controlling trading by individuals in Mainland China.

This has made the principle that Taiwan traders are not allowed to contact, negotiate, trade and sign contracts with Chinese Communist officials totally impractical, the official was quoted as saying.

To assist local manufacturers to set up branches in Hong Kong and to ensure that local manufacturers still have an economic stronghold in Hong Kong when the colony reverts to Communist Chinese rule in 1997, the government should revise rules on indirect trade with the mainland, the paper quoted its source as saying.

The official said that to maintain indirect trade with Mainland China, including the import of cheap raw materials from the mainland, local manufacturers must set up branches in Hong Kong and to negotiate and trade with Chinese Communist-run institutions.

The official said if the government does not let politics be politics and economics be economics, government assistance for local manufacturers to set up Hong Kong branches is itself a violation of law.

Therefore, the Executive Yuan will set up a special committee to make an overall review of the mainland family visits, trade, athletics and cultural policies, the paper quoted the official as saying.

The Executive Yuan is asking departments concerned to offer their opinions towards the revision so that it can work out a more practical policy concerning trade with Mainland China, the EXPRESS said.

**Indirect Trade Increases**  
*OW3005043588 Taipei CHINA POST in English*  
25 May 88 P 11

[Text] Indirect trade between Taiwan and Mainland China continued fast growth in the first quarter of this year to total NT [new Taiwan]\$14.1 billion, up 65 percent from the same period of last year, the Chung Hwa Institute for Economic Research said yesterday.

According to the institute, more than NT\$11.4 billion worth of Taiwan products were shipped to the mainland through Hong Kong during the January-March period, up 65.5 percent from the corresponding period of 1987.

In return, Mainland China exported about NT\$2.94 billion worth of products to Taiwan via the British colony, representing a 62.2 percent growth.

The CHINA TIMES yesterday quoted unnamed sources as saying that the government is planning to further relax restrictions on indirect trade across the Taiwan Strait earlier next month.

**Mainland Continues Disturbing Military Exercises**  
*OW3005033088 Taipei CNA in English 0251 GMT*  
30 May 88

[Text] Taipei, May 30 (CNA) — Recent exercises by Chinese Communist air-borne troops, which lasted 54 days during March and April in central China mainland, have caused concerns in the Republic of China [ROC].

Describing the large-scale airborne exercises as "rare and almost unprecedented", Major General Chang Hui-yan, spokesman for the Ministry of National Defense, said last Saturday that the ROC military is watching closely the Chinese Communist military activities.

The exercises included day and night airborne raids in which communist paratroops launched mock attacks on air and sea ports, missile sites, radar installations, artillery positions, communications facilities and bridges, Chang said, citing intelligence from mainland.

Since the Chinese Communist have never abandoned their attempts to take Taiwan by force, Chang said, the ROC military will maintain a high vigilance against their military movements and continue watching closely the situations there.

**Continues To Harass Islands**  
*OW2605090088 Taipei CNA in English 0240 GMT*  
26 May 88

[Text] Taipei, May 26 (CNA) — Boats from the China mainland harassed Kinmen and Matsu 916 times between May 17 to 23, the Ministry of National Defense of the Republic of China said Wednesday.

A spokesman for the ministry said the Communist Chinese boats were driven off after garrison troops fired 1,814 machinegun rounds and 18 artillery shells.

**Rules Drafted To Allow Filming on Mainland**  
*OW2605084688 Taipei CHINA POST in English*  
21 May 88 p 12

[Text] The authorities have drafted regulations which would allow Taiwan producers to shoot films in Mainland China, the GREAT CHINA EVENING POST reported yesterday.

Quoting Shao Yu-ming, director-general of the Government Information Office [GIO], the paper said the GIO has drafted guidelines on the import of mainland publications, films and videotapes.

Under the guidelines, Taiwan film makers will be allowed to shoot movies in Mainland China.

But mainland film makers and pro-communist foreign film makers will still be barred from entering Taiwan, the paper said.



The guidelines promise a gradual relaxation of restrictions on foreign-financed films shot on location in Mainland China. After the screening of "The Last Emperor" in Taiwan, the paper said, other foreign or even Hong Kong films such as "A Great Wall" might be allowed to be shown here.

The government would neither encourage nor discourage contacts between Taiwan and mainland movie makers, the paper quoted the guidelines as saying.

**Officials Reject Reimposition of Martial Law**  
*OW3105060688 Taipei International Service*  
*in English 0200 GMT 28 May 88*

[Text] A lawmakers' club with more than 20 members issued a statement on Friday denouncing the proposal to reimpose the emergency decree in the ROC (Republic of China). The statement noting the lifting of the 4-decade-long martial law last July won wide applause both at home and abroad, marking a giant step forward in the nation's march toward a more mature democracy. The lawmakers stressed that every citizen in Taiwan should value the precious fruit of democratization but should not so readily jump backward and resort to martial law simply because of a temporary disorder in the society. It is definitely anti-democracy, they said.

On Wednesday several senior officials within the ruling Kuomintang suggested the reimposition of the martial law during the regular weekly meeting of the party's standing committee following the violent rioting deriving from a farmers' demonstration on 20 May. The proposal failed to win approval of KMT (Kuomintang) acting chairman and also ROC President Li Teng-hui.

**Panel Urges Creation of Four New Ministries**  
*OW2505143688 Taipei CNA in English*  
*0301 GMT 25 May 88*

[Text] Taipei, May 25 (CNA)—An ad hoc committee studying proposed revisions of the Executive Yuan organic law has decided in principle to establish four new ministries under the Yuan to meet current needs, an informed government source said Tuesday.

According to the source, the four new ministries will be for agriculture, labor, health and welfare, and culture. The four existing agencies responsible for these affairs—the Council of Agriculture, the Labor Council, the National Health Administration and the Council for Cultural Planning and Development—have subministry ranking in the government.

The ad hoc committee, which met Tuesday with Vice Premier Lien Chan presiding, failed, however, to decide whether a sports council should be established or whether the existing National Youth Commission should be abolished, he said. A final decision is expected to be made at the committee's next meeting on May 28.

After the reshuffle, the Republic of China's central government would have 12 ministries and two commissions.

The committee, formed nearly a year ago, has decided that the eight ministries—the Interior, Defense, Foreign, Education, Economics, Finance, Justice, and Communications Ministries—and two commissions—the Overseas Chinese Affairs and Mongolian and Tibetan Affairs Commissions—should be retained.

**President Li Appoints Armed Forces Chiefs**  
*OW2905110488 Taipei Domestic Service in Mandarin*  
*2300 GMT 24 May 88*

[Text] President Li yesterday issued the following orders: Appoint Air Force General Kuo Ju-lin presidential chief aide-de-camp in the Presidential Office and relieve retiring Army General Wang Cheng-hsu from his post as presidential aide-de-camp; appoint Army General Chiang Chung-ling deputy chief of General Staff and executive officer of the Ministry of National Defense; appoint Admiral Hsia Tien deputy chief of General Staff of the Ministry of National Defense; appoint Admiral Liu Ho-chien chief of the Joint Operations Training Department of the Ministry of National Defense; appoint Army General Huang Hsing-chiang Army commander in chief; and appoint Admiral Yeh Chang-tung commander in chief of Navy and concurrently president of the Dr Sun Yat-sen's Scientific Research Institute.

**Farmers' 20-21 May Rioting Evokes Reactions**

**Li Seeks Policy Review**  
*OW2805111788 Taipei CHINA POST in English*  
*22 May 88 p 1*

[Text] President Li Teng-hui has ordered a review of the nation's agricultural policies following a protest here by farmers which left more than 200 people injured, a newspaper reported yesterday.

The INDEPENDENCE MORNING POST said the president, an agricultural economics expert, was "shocked and depressed" by bloodshed in the worst rioting since 1947 and ordered a thorough investigation into last Friday's [20 May] incident.

The official CENTRAL NEWS AGENCY said the president, concerned about the protest, asked for a briefing the minute he stepped into his office.

Li directed police and the judiciary to investigate the case "without prejudice," the agency said.

The riot came three days after Li warned that the government would no longer tolerate violence during demonstrations and said police could retaliate against physical attacks.

"Those found guilty will be severely punished according to the law," the president said.

The farmers demanded a comprehensive health insurance plan for farmers, lower fertilizer prices and more subsidies for rice production.

#### Restricted Imports [subhead]

Meanwhile, Vice Economics Minister Li Mo told reporters yesterday the ministry's policy of liberalizing imports of agricultural products will be "reconciliated."

#### Fake Farmers [subhead]

Liu Ching-yi, chief prosecutor of the Taipei District Prosecutor's Office, said most of the detained protesters were "not farmers" and some may have been incited by "communist elements" who infiltrated from Mainland China. He did not elaborate.

Interior Minister Wu Poh-hsiung ordered the National Police Administration to investigate the case and to prosecute masterminds and instigators.

Taipei Deputy Police Chief Wang Hua-chen said among the detained protesters were people who "posed as farmers and incited the crowd in an attempt to disrupt the 40 years of development on this island." He, too, did not elaborate.

On Friday, Premier Yu Kuo-hua ordered the Interior and the Justice Ministries to investigate the case thoroughly and prosecute guilty parties.

#### 1,400 Protest [subhead]

More than 1,400 protests have been staged here since the government lifted 38 years of martial law in July 1987 and gave the people the right to demonstrate.

A majority of the protests were organized by the opposition Democratic Progressive Party.

Friday's protest was the most violent since the "February 28 Incident" in 1947 in which thousands were believed killed and injured in clashes between native Taiwanese and Mainland Chinese, who arrived here in 1945 to take over the island from the Japanese occupation forces.

During a 1977 riot in Chungli, one student died and 23 other people were injured as antigovernment demonstrators set fire to a police station.

In another antigovernment demonstration which turned into a riot in Kaohsiung on Dec. 10, 1979, 183 unarmed military policemen on orders not to strike back were injured. Police arrested 150 demonstrators, of whom eight were convicted by a military court of sedition and served jail terms ranging from 12 years to life.

#### Policy Towards Riot Police

OW3005040588 Taipei CHINA POST in English  
24 May 88 p 12

[Text] Policemen will be prosecuted if they manhandled helpless protesters during last Friday's riotous demonstration in Taipei, the city's chief prosecutor said yesterday.

Liu Ching-yi, chief prosecutor of the Taipei District Prosecutor's Office, said police brutality will be prosecuted but that prosecutors "cannot speculate without basis" and that the allegations must be "investigated thoroughly."

However, policemen will not be prosecuted if they injured lawbreaking protesters resisting arrest because this is the consequences of implementing the law and does not constitute a crime, Liu said.

Earlier, Liu said he did not believe police would beat up protesters.

Eyewitnesses and the local media have reported that police clubbed, punched and kicked detained protesters during an 18-hour roving battle between club-wielding policemen and rock-throwing demonstrators through downtown Taipei streets.

Police said 128 protesters were arrested in the worst rioting in Taiwan in four decades that left police vans destroyed by fire, telephone booths and parking meters smashed and railway traffic disrupted.

Of those arrested, 96 were taken into court custody, police said, adding that 29 of the detainees had previous criminal records.

About 500 people, including 382 policemen, were injured, police said.

Meanwhile, Lin Meng-kuei, an independent member of the supervisory Control Yuan, received permission from Hwang Tzuen-chiou, president of the nation's highest watchdog body, yesterday to launch an investigation into reports of police beating up reporters.

Lu Tung-hsi, a reporter of the liberal INDEPENDENT EVENING POST, accused military policemen of roughing him up while he was covering the rioting.

Liu the chief prosecutor, however, told a press conference Sunday that military policemen do not fall under his jurisdiction.

Taipei Police Chief Liao Chao-hsiang said military policemen could not tell reporters from protesters.

In further developments, opposition Legislator Chu Kao-cheng, who was ganged up on by plainclothesmen during the rioting, said from his hospital bed that he has no plans of filing assault charges against his assailants, the CHINA TIMES EXPRESS reported.



But colleagues of the Democratic Progressive Party demanded that his assailants be prosecuted, their penalty be increased by one-half and their superior step down to assume responsibility for the intentional assault.

Several legislators of the ruling Kuomintang also called for the prosecution of the assailants to uphold the dignity of the law and of members of parliament.

Doctors at the Cathay General Hospital said Chu will have to remain in the hospital for a couple of days for observation to determine whether he suffered head injuries.

An aide to the legislator said round-the-clock security outside the legislator's ward has been strengthened because of several anonymous threat calls and due to the huge number of visitors.

**Teaches Lesson in Democracy**  
*OW3005050888 Taipei CHINA POST in English*  
24 May 88 P 4

[Editorial: "Freedom From Fear"]

[Text] Last Friday a demonstration staged in downtown Taipei by farmers evolved into a riot that left more than 200 persons injured and countless public facilities and buildings damaged. The incident was followed by far-reaching repercussions. It caused much public concern and aroused deep fear particularly in the minds of those who worry about social stability and harmony.

The demonstration started out in a fairly orderly manner but turned violent in the afternoon. After the demonstrators were denied entry into the Legislative Yuan building, a confrontation arose between them and the police. Suddenly the demonstrators began to hurl rocks and bricks at the police and the windows of the Legislative Yuan building. The police fought back with jets of water and protected themselves with shields against the shower of rocks, some as large as footballs.

In the melee that followed, excited rioters dragged police officers and reporters into a van and held them hostage in addition to injuring several television crew members and destroying their equipment.

After 1 a.m. on Saturday [21 May], the mob intensified their attack, setting fires here and there in the downtown area, damaging public facilities and burning up police vehicles. Some rioters picked up rocks and lumps of iron and threw them at police. It was discovered that the majority of farmer demonstrators had returned home and that those who remained were mostly students and men who did not appear to be farmers.

These men egged the students on to take violent action against the police. Later on, rioters vandalized public telephones, parking meters and shop windows, among other facilities.

Police later found a truck loaded with rocks and wooden bars hidden under cabbages. This has led to suspicions that some of the demonstrators had come prepared to carry out acts of violence.

In the process, police arrested 112 persons, 96 of whom were put into custody after investigations. A total of more than 200 persons, including policemen, demonstrators and reporters, were injured.

What started out as a peaceful demonstration turned into the most violent and bloody street battle in 40 years in the Taiwan area. What went wrong?

Police investigations found that the majority of those who are supposedly farmers' representatives were not farmers, and 90 percent of those arrested in the melee were not farmers either. Is this not evidence that the so-called farm protest was used by some as a challenge to the law and government authority?

Interior Minister Wu Po-hsiung expressed shock and grief at the violence and bloodshed. He said that the government must act with determination to safeguard the safety and interests of law-abiding citizens. Minister of Justice Shih Chi-yang also affirmed that the government's authority must be preserved.

We feel the same way. In the past few months social stability has deteriorated steadily with violent demonstrations and riots occurring more and more frequently. Not only have local residents been worried and even alarmed but foreign entrepreneurs have begun to feel this may not be a safe place to invest. Stock prices plunged sharply on Saturday, a clear sign that the street violence had affected the confidence of stock buyers.

Should more riots of the same magnitude and intensity break out, social stability and economic development, which our people have accomplished through decades of hard work, would suffer acutely.

The government, in particular law-enforcement authorities, must take firm steps to preserve law and order to give the people freedom from fear and ensure continuous and stable economic growth.

With speedy democratization in our society, demonstrations have become increasingly common. Such street activities are allowed and are even regarded as a way of life in democratic countries. They should, however, be carried out without causing noticeable effects on peace and order and affecting the normal, everyday activities of the public. Demonstrations that turn into disturbances or riots are not tolerated in any country in the world.

A country with democracy but not the rule of law is like a bird with only one wing. It won't go very far before it falls.

If democracy is to work in this country, it must be accompanied by firm and strict enforcement of the law.



**Radio Commentary**  
**OW2805065388 Taipei International Service**  
**in English 0200 GMT 28 May 88**

[Station commentary "A Lesson on Riots"]

[Text] Last weekend's riot in Taipei, in which a legitimate farmers protest turned violent after outsiders incited others to resort to violence, hopefully taught a lesson to the public, the police, the government, and last but not least the instigators of the riot. Although the riot was very small by Western standards, it came as a shock to people on Taiwan who are used to social calm and stability. In an 18 hour clash with Taipei riot police, the rioters caused several hundred thousand dollars damage to public property in downtown Taipei. More than 100 police and rioters were injured, and nearly 120 arrests were made. The police have reported that only a handful of those arrested were farmers.

President Li Teng-hui, speaking at Wednesday's meeting of the majority party's Central Committee, voiced his disappointment with the outbreak of violence following an otherwise peaceful protest by the farmers. He called for harsh punishment of those behind the violence. President Li described the event as a lesson to the nation on the need for social stability and respect for law and order.

Since martial law was lifted in July 1987, street demonstrations have become a popular form of protest in Taiwan's new atmosphere of pluralism and openness. Prior to last weekend, few protests have turned violent. But the lifting of martial law has opened a rather unpleasant can of worms for those in charge of social order. Some of the more radical political elements on Taiwan see the new freedoms to assembly and march as tickets to an anything goes war against the establishment. They have used every opportunity to make their presence felt and to press their demands, no matter how unpopular some of these demands may be.

A poll taken in the wake of last weekend's riot clearly indicates that the public-at-large abhors such methods of protest and supports the government's crackdown on violent protests. More than 50 percent of the 1,005 respondents said they believe the police should resort to force to curb rioters. Twenty-seven percent of those polled said they preferred to see the police use more low-key approaches in handling future protests. Thirty-one percent of the people said they felt the police used too much restraint in this particular case. The worry is that police morale will fall if counterforce is discouraged and rioters are given free rein to knock police heads.

The government is between a rock and hard place on this issue. On the one hand, most everyone wants to see the political and social liberalization process move forward. On the other, few people believe that allowing such violent forms of protest is a healthy development, under any circumstances.

One thing is certain: such riotous behavior is not tolerated for a minute in developed democracies such as the United States. For Taiwan, the important thing now is to learn how to cope with public demonstrations while nurturing respect for the law and the other institutions that guarantee legitimate forms of free expression.

**Premier Calls for Fewer Street Demonstrations**  
**OW3005000388 Taipei CHINA POST in English**  
**22 May 88 p 8**

[Text] Premier Yu Kuo-hua yesterday called on workers here not to take to the streets to protest, saying this method was "disadvantageous to the nation" and would not be able to solve their problems.

In a meeting with local labor representatives at the Executive Yuan yesterday morning, the premier advised laborers to adopt a "frank and sincere attitude" in working with their employers to settle any labor disputes.

Yu emphasized that employers and workers must work together.

"If there are no workers, there are no capitalists. If there are no investments by employers, there are no job opportunities for workers," Yu said. "Therefore, both sides should work together to develop their enterprises."

The government will work out its labor policy according to this principle, Yu added.

He noted that while the government announced the Labor Standards Law in August, 1984, changes in the past four years require the law to be revised.

In addition, because the law only outlined general regulations, it is not sufficient in specific cases and will need to be amended so that it is applicable to workers of various industries, Yu said.

The Labor commission was set up last August to study these problems, Yu said. The labor policy guidelines that the commission implemented this past March aims to protect the interests and rights of laborers, Yu added.

Yu asked workers here to be "aware" of the government's efforts in promoting laborers' welfare.

Taiwan's five million workers play a very important role in contributing to the economic development of the nation, and the government naturally pays attention to their welfare, he added.

Hsieh Shen-shan, chairman of the Chinese Federation of Labor, said in the same meeting that public enterprises have always neglected labor unions and that this should be corrected.

In turn, labor representatives at the meeting listed a number of their requests for the government.

Among them include: revising the obsolete parts of the Labor Standards Law; urging employers to hold meetings with laborers concerning the laborers' welfare; settling labor disputes through effective and proper methods in order to reduce the number of street protests; protecting the rights and benefits of miners; setting a timetable for foreign companies to transfer their technology to Taiwan; setting up a labor court as soon as possible; communicating with workers of state-run enterprises before putting their shares in the enterprises up for sale on the market; and improving the welfare and pay systems of train and bus drivers.

**Legislative Yuan Cuts 1989 Defense Budget**  
*OW2805085588 Taipei CHINA POST in English*  
22 May 88 p 8

[Text] The Legislative Yuan yesterday completed its preliminary review of the fiscal year 1989 budget for the National Defense Ministry and slashed a total of NT [new Taiwan] \$556.38 million from seven categories in the budget.

A total of NT \$200 million was cut from the loan fund for servicemen residences, NT \$100 million from the purchases and production of armaments, NT \$80 million from the expenditure for political warfare work, NT \$55 million from the fund for mainland operation work, NT \$11.38 million from the expenditure for administering to reserves servicemen, NT \$15 million from the fund for the Chungshan Institute of Science and Technology, NT \$10 million from the clothing expenditure, and NT \$100 million from the public errand, maintenance, gas, and office building expenditures.

**New Regulations on Military Travel Abroad**  
*OW3105120588 Taipei CNA in English 0318 GMT*  
31 May 88

[Text] Taipei, May 31 (CNA) — The Ministry of National Defense is drawing up new regulations, expected to go into effect July 1, to govern foreign travels of military personnel, the ministry said Monday.

The ministry said after a thorough evaluation, the ministry will permit soldiers to go on foreign tours and is deciding on the procedures for such trips in accordance with the regulations governing civilian foreign travel.

**Special Committee Revising Party Platform**  
*OW3105115288 Taipei CNA in English 0250 GMT*  
31 May 88

[Text] Taipei, May 31 (CNA) — New chairman of the Kuomintang [KMT] will be elected by all members of the KMT Central Committee in case the chairmanship falls vacant.

The special committee in charge of revising the party platform for the 13th KMT National Congress made its decision during a meeting presided over by Huang Shao-ku, a member of the KMT Central Standing Committee.

The ad hoc committee also decided that the positions of vice chairman will not be added to the party organization.

As to the nature of the KMT — either as a revolutionary democratic or a democratic party — no consensus has yet emerged after heated discussion. Huang therefore decided to ask the KMT Department of Organization Affairs to study the matter.

The ad hoc committee also decided that KMT party cells would meet once every month, if necessary. Any revisions of the party platform must comply with the revision procedures of the constitution, the committee added.

**Board Notes U.S. Adopts Farm Protection Policy**  
*OW3005031988 Taipei CNA in English 0247 GMT*  
30 May 88

[Text] Taipei, May 30 (CNA)—The United States, which has aggressively pressed its trade partners to abandon agricultural protection policies, is itself among the countries providing the highest subsidies to farmers, according to the Commodity Supervisory Board of the Economics Ministry.

Quoting a report by the U.S. Department of Agriculture, the board said that Japan leads all world nations in terms of its subsidies to farmers with the value of the subsidies accounting for 78.6 percent of farmers incomes.

South Korea is next with 59.5 percent of farmers incomes coming from government subsidies, followed by the European Economic Community, 49.8 percent; Canada, 43.1 percent; the U.S., 35.8 percent; Australia, 13.3 percent; and New Zealand, 13.1 percent.

The U.S. Government has suggested to the General Agreement on Tariffs and Trade that all those farm subsidies, which are to blame for distorting world trade, be cancelled within 10 years from now.

The board said that many nations have expressed their disagreement to the timetable made by the U.S. Despite that consensus has been reached among the industrialized countries.

**Taipei Commentary Hails Reagan Trade Bill Veto**  
*OW2705063688 Taipei International Service*  
in English 0200 GMT 27 May 88

[Station commentary "Reagan Vetoes Trade Bill"]

[Text] U.S. President Ronald Reagan vetoed the drawn out trade bill on Wednesday [22 May], much to the relief of East Asian nations, including yours truly, the Republic of China [ROC] on Taiwan. Reagan vetoed the bill because of his



objection to two major items: the provision that would require manufacturers to give workers sixty days' notice for lay-offs or plant closings, and the provision that would block exports of Alaskan oil. Reagan also objected to the overall tone of the bill, which would protect U.S. industries instead of strengthen them.

It is not yet clear, however, whether the veto will stand. The House of Representatives has already voted to override the veto; the bill is now before the Senate, which will decide its fate in a day or two. The Senate vote is expected to be close. Reagan has asked the Congress to modify the parts of the bill that he objects to, but the Senate may not have time to put together an alternative bill.

East Asians greeted Reagan's veto with relief because they object to the protectionist pressure building in Washington, but people here remained pessimistic on trade, and many think a more protectionist bill will emerge next year, specially if the Democrats take the White House. Vincent Siew, the director of the Board of Foreign Trade in Taipei, said that "protectionism will remain until the United States cuts its trade deficit to an extent they feel satisfied."

The trade issue will remain a controversial one at the forefront of U.S. politics, specially during this election year. Opponents of the bill assert that protectionism is not the answer because it exacerbates the real problem — declining American productivity and competitiveness in foreign markets. They liken the trade bill to a road race in which the U.S. has two training options: to improve itself, or break the legs of its competitors. Proponents of the trade bill assert that such a bill is necessary so long as America's trade partners, particularly the NICS [newly industrialized countries] of East Asia, do not open their markets as freely as the U.S. opens hers to their exports.

This is a good point, but it does not address the current reality or trend in the U.S. trade picture. On Wednesday, for instance, the U.S. Commerce Department released trade statistics showing a sharp decline in the U.S. trade deficit. It was the sharpest decline in 5 years. For the first quarter of 1988, the trade deficit shrank by nearly 13 percent over last year's figures. The drop amounted to nearly U.S. \$6 billion.

Most analysts agree that the decline is a trend and not just a temporary phenomenon. If so, the good news comes without a trade bill, which suggests, of course, that the bill is not necessary, after all.

The U.S. trade deficit is declining because America's trade partners are taking steps to correct prior imbalances. Taiwan has certainly done its part; tariffs have been slashed, the currency has appreciated 40 percent against the greenback, and markets have been opened to U.S. imports. These efforts, too, are part of a trend, a trend that makes the trade bill outdated, superfluous, and thus undesirable for all concerned.

**Progress in Shift From U.S. to European Markets**  
*OW2805061188 Taipei CNA in English 0240 GMT*  
28 May 88

[Text] Taipei, May 28 (CNA) — The Republic of China [ROC] has had success in its market diversification efforts, but the nation should take care not to run too huge a trade surplus with Europe, Vice Economics Minister Li Mo said Friday.

As a result of the diversification efforts, the ROC's exports to the United States in the first four months of 1988 have dropped below 40 percent of its total exports for the period, Li said, citing government statistics.

In addition, the high ranking official said the ROC's trade surplus for 1988 is expected to shrink to below U.S. \$10 billion in the wake of the sharp increase in imports resulting from substantial tariff cuts.

The ROC has been successful in shifting its export markets from the U.S. to Europe, Li said. But, he cautioned that if the nation develops too large a trade surplus with Europe, the European countries may take restrictive measures to limit the import of ROC products.

Li also disclosed that the government is considering lowering domestic oil prices at an appropriate time which has yet to be decided.

According to the Chinese Petroleum Corporation, the cost of purchasing oil has recently dropped to U.S. \$14.9 per barrel, the lowest level in a year.

**European Trade Increases**  
*OW3005175988 Taipei CNA in English 0954 GMT*  
30 May 88

[Text] Taipei, May 30 (CNA) — Manufacturers have been seeking export outlets in Europe as a means of reducing their dependency on the American market. A sharp increase in the value of trade between Taiwan and Europe during the past year demonstrates their success and indicates a significant potential in the years ahead.

In 1987, the value of ROC [Republic of China]-European trade climbed to US\$13.88 billion, a growth of 63.4 percent compared to the year before. Of this total, exports were worth US\$7.87 billion, up 65.2 percent, while imports were worth US\$5.2 billion, up 60.9 percent. Both of these growth rates were higher than those for any other area during 1987.

In the European Community, West Germany, with a two-way trade of US\$3.62 billion, remained the ROC's No. 1 European trade partner. Compared to US\$2.41 billion in 1986, trade between the ROC and West Germany last year experienced a sharp growth of 50.2 percent. The United Kingdom, with US\$2.31 billion, ran a close second and, with an amazing 75.4 percent growth from US\$1.3 billion in 1986, threatens to overtake West



Germany. Other major trade partners are the Netherlands, US\$1.54 billion, up 54.7 percent; France, US\$1.25 billion, up 66.9 percent; and Italy, US\$1.09 billion, up 67.5 percent.

Total trade value between the ROC and non-EC countries amounted \$1.77 billion in 1987, a rise of 85.8 percent compared to the US\$951 million registered in 1986. At 142.4 percent, the growth rate in trade with Iceland was highest. Finland followed with 105.1 percent, Switzerland had 96.2 percent, Austria, 74.9 percent and Norway, 63.7 percent.

According to the Board of Foreign Trade, exports to Europe last year accounted for 14.5 percent of Taiwan's total export value, up 2.5 percentage points from 12 percent for the previous year. At the same time, imports from Europe rose to 15 percent of Taiwan's total import value from 13.4 percent. This excellent performance was attributed partly to the ROC's increasing economic power and partly to the recent increase in commercial activity as a result of encouragement by the authorities of both sides.

European businessmen in Taiwan formally formed the European Chamber of Commerce (Eurocham) in Taipei early this year to help promote trade activities between the two areas. J.J.C. Brinsden, chairman of Eurocham, says the organization will play an active role in fostering economic relations between the ROC and Europe.

Wellington chairman and secretary-general of the Euro-Asia Trade Organization (EATO) also foresees a rosy future and agrees that Eurocham was established just in time to serve the business sectors on both sides. EATO and Eurocham, he believes, will work closely in their efforts to improve commercial contacts between Europe and the ROC.

**Premier Yu Meets With Weinberger, Clark**  
*OW2905075788 Taipei CNA in English 1600 GMT*  
26 May 88

[Text] Taipei, May 26 (CNA) — Premier Yu Kuo-hua Thursday met Caspar W. Weinberger, former U.S. secretary of defense, and William Clark, former U.S. national security advisor, and discussed with them matters of mutual concern between the two nations.

Premier Yu later hosted a dinner at the Grand Hotel to entertain the visiting American guests.

Yu thanked Weinberger for his concern about and support for the nation's defenses during Weinberger's tenure as defense secretary.

Because of Weinberger's efforts, the military relationship between the two nations has improved, thus safeguarding the security of both the Taiwan Straits and the West Pacific area, Yu pointed out.

During the period, the nation, in addition to purchasing American weaponry, also acquired sophisticated U.S. military technologies that will be used to manufacture tanks and a new generation of jet fighters and warships, the premier said.

Although Weinberger has retired from the American Government, Yu said he hopes Weinberger will continue to back the ROC [Republic of China] in the years to come.

Yu said he believes that Weinberger's current visit to the nation will not only provide the Republic of China with his valuable suggestions, but will also enhance the mutual substantive ties between the ROC and the U.S.

Also attending the banquet were Vice Premier Lien Chan; Wang Chang-ching, secretary-general to the Executive Yuan; Defense Minister Cheng Wei-yuan; Gen. Hau Pei-tsun, chief of the general staff; Vice Foreign Minister John H. Chang, and Shaw Yu-ming, director-general of the Government Information Office.

**President Li Meets Montana Delegation**  
*OW3105134088 Taipei CNA in English 1536 GMT*  
30 May 88

[Text] Taipei, May 30 (CNA) — President Li Teng-hui received a five-member trade delegation from the state of Montana, the United States, led by Governor Ted Schwinden, at the presidential office Monday.

President Li welcomed the American visitors and expressed his hope that economic and trade relations between the Republic of China and Montana will continue to be strengthened.

The Montana delegation arrived in Taipei Saturday for a four-day visit. Shen Chang-huan, secretary-general to the president, and Vice Foreign Minister John H. Chang were also present at the meeting.

**Salvadoran Vice President Arrives 24 May**  
*OW2505151588 Taipei CNA in English*  
0343 GMT 25 May 88

[Text] Taipei, May 25 (CNA) — El Salvadorian Vice President Rodolfo Castillo Claramount and his wife flew into Taipei Tuesday for an eight-day visit.

Premier and Mrs. Yu Kuo-hua and Acting Foreign Minister and Mrs. Stephen F. Wang greeted them at the airport.

While in Taiwan, Castillo will have an audience with President Li Teng-hui and call on Premier Yu Kuo-hua, Foreign Minister Ting Mou-shih and other ranking government officials. He will also visit economic and cultural establishments in the Republic of China.

The Castillos will leave May 31.

## Hong Kong

### UK's Howe Holds News Conference at End of Visit

**Legco Praises Refugee Stand**  
*HK0106052988 Hong Kong SOUTH CHINA MORNING POST in English 1 Jun 88 p 1*

[By Bernard Fong, Terry Lee, and Andy Ho]

[Text] British Foreign Secretary Sir Geoffrey Howe last night won praise from Legislative Councillors for his approach to some of the problems facing Hong Kong, especially Vietnamese refugees.

He indicated yesterday that certain screening tests might be adopted to determine whether the boat people arriving in Hong Kong were genuine refugees or economic migrants.

On the third and final day of his visit to the territory, Sir Geoffrey said Britain recognised that the current first asylum policy could not go on indefinitely, and that a more enduring solution would be the repatriation of refugees.

After dinner with Sir Geoffrey last night, the convenor of the Legislative Council [Legco] group dealing with the refugee crisis, Mrs Rita Fan Tsu Lai-tai, welcomed his comments on the issue.

She said she had not expected any significant breakthrough on the refugee problem from the visit.

"Sir Geoffrey did not actually give definite answers on what the British Government intends to do on this problem," she said.

"However, we do appreciate that he has at least, first of all, recognised the urgency of the problem, and he also recognised the strong feeling of the community of Hong Kong on this matter.

"He appreciated that the double standards which apply to illegal immigrants (from China) and Vietnamese refugees is a matter which Hong Kong people feel rather strongly about.

"By and large, although we did not get a definite answer from him, we are thankful for his appreciation of the problem and the sincerity he has shown to us in his wish to try to alleviate it as far as possible."

In an interview at the end of a three-day visit to Hong Kong during which he visited a refugee reception area and talked to residents of the packed Chi Ma Wan camp, Sir Geoffrey stressed that the long term solution lay in Vietnam.

"They (the Vietnamese government) need to stop sustaining an occupational army in Kampuchea, and on that basis they could begin to provide reasonable conditions for their own people.

"There have been a few signs of change—perhaps the most important is the way in which the Soviet Union has adopted a different approach to its occupation of Afghanistan.

"It is time for Mr Gorbachev to bring his new thinking to bear Southeast Asia, and the Vietnamese occupation of Kampuchea," he added.

Sir Geoffrey said there was no easy solution, but that one option being considered was a screening process to sort economic cases from genuine refugees fleeing persecution.

"It must be right in principle for these people (economic refugees), who are Vietnamese, to find a future in Vietnam.

"But unfortunately the Vietnamese government refuses to take them. We have to find a way of distinguishing between genuine refugees and the others. That is one of the options," he said.

On other key topics, Sir Geoffrey, who returned to London last night, said the British Government would ensure that the Basic Law—Hong Kong's post-1997 constitution now being drafted by the Chinese Government—would reflect the terms of the Sino-British Joint Declaration that he helped draft in 1984.

During his press conference, Sir Geoffrey repeatedly stressed unflagging British commitment to the territory.

He said: "Let me once and for all dispose of the myth that Britain ever has or ever would sacrifice Hong Kong's interests in the pursuit of better Sino-British relations. We won't, we shouldn't, and we can't."

He expressed similar sentiments during his dinner and talk with Hong Kong politicians.

Other councillors at the dinner questioned Sir Geoffrey on defence costs, the British National (Overseas) passport, and the proposed 1997 expo.

Councillors said Sir Geoffrey discussed the draft of the Basic Law with them for about 20 minutes but did not expand on his earlier comment that the constitution was far from perfect.

**On Various Issues**

HK0106060688 Hong Kong SOUTH CHINA MORNING  
POST in English 1 Jun 88 p 2

[By Bernard Fong—passages in boldface as published]

[Text] British Foreign Secretary Sir Geoffrey Howe yesterday refused to consider expanding Britain's resettlement quota for refugees from Hong Kong because such a move might tempt more Vietnamese to make a desperate dash for the territory.

Although sympathetic to the plight of Hong Kong, which is expected to dole out more than \$150 million to accommodate the boat people, Sir Geoffrey did not offer to alleviate the territory's burden, stressing that Britain already helped fund the office of the United Nations High Commissioner for Refugees (UNHCR).

Nor would Britain consider sending aid to famine-stricken Vietnam as a means of persuading Hanoi to accept the repatriation of the refugees, even though that Government last week announced a plan to pull 50,000 troops out of Kampuchea this year, and to put the estimated 120,000 other soldiers under the command of the Phnom Penh Government.

"The West has declined to offer aid to Vietnam for two reasons.

"One, because of her persistence in the unlawful occupation of Cambodia (Kampuchea).

"And two, because it is by no means clear that assistance to Vietnam in the context of its present economic policy is likely to achieve any good at all."

Sir Geoffrey, who conducted a 45-minute press conference on the last day of his three-day visit to Hong Kong, also expounded on other subjects, apart from the refugee issue.

Here are highlights of some of Sir Geoffrey's remarks and observations:

**On whether Britain should expand its quota for Vietnamese refugees from Hong Kong and related issues:**

"I don't think that would really be addressing itself to the fundamental part of the problem.

"Indeed, it might be tending to make the situation more difficult...we simply have to get rid of the impression that Hong Kong is or can be a transit point to the rest of the world to a future that doesn't and cannot exist.

"...the burden on Hong Kong is becoming intolerable.

"Things can't go on as they are.

"But I have to say plainly that the automatic resettlement of all those leaving Vietnam for whatever reason isn't a practical proposition.

"Nor, I believe, would a civilised community like Hong Kong wish to leave people to the mercy of the sea.

"The fact is that the vast bulk of the boat people now arriving cannot be described as political refugees, as defined by the UNHCR."

**On the brain drain problem in Hong Kong:**

The Foreign Secretary refuted the contention that there were as many Hong Kong people leaving the territory as there were boat people fleeing Vietnam, saying comparisons between a free and dynamic society with a backward totalitarian regime were simplistic and unfair.

He said neither British nor the Hong Kong Government was taking the emigration problem lightly or "complacently" but stressed that the issue should not be "a cause for alarm or dismay".

Sir Geoffrey said: "If Hong Kong retains the framework where people are free to come and go, where the economy is free to come and go, to move with the vitality that it has got, I believe that will be seen as the best way to the future."

**On alleged British discrimination against Hong Kong passport holders:**

"The (our) position is that there is no possible question of discrimination against Hong Kong people and any complaints of that kind that you have mentioned should be and are thoroughly investigated.

"It's equally true, of course, that the United Kingdom is not the only country that operates and has to operate, control of inflow in order to determine whether people who come, arriving as visitors, are in fact arriving for a different purpose.

"And you'll find that every country around the world, including Hong Kong of course, does have that kind of system necessarily in place.

"We will go on in relation to people from Hong Kong making sure that any possible complaint is thoroughly investigated, because we don't like to have any unjustifiable complaints."

**On defence costs:**

"I can say on this occasion that agreement in principle has been reached on an adjustment of the distribution of the defence costs.

"It is now being put into detailed final form and that will be revealed in due course."



**On the Basic Law:**

"There are obviously outstanding areas that need to be examined and resolved; that is the whole object of the consultative period.

"That is why I said...that people must make the most of the consultation period.

"Britain will play its part in that process because we do acknowledge and assert our interest in seeing that the Joint Declaration is faithfully translated into the Basic Law."

When asked to pinpoint any flaw in the Basic Law draft, he replied:

"I am not going to begin rehearsing my catalogue, so to speak, of possible points (for change).

"Others have been identifying things that occurred to them.

"It is very important that the process should be taken seriously."

**On British commitment to Hong Kong:**

Sir Geoffrey strongly denied that Britain would compromise its responsibility for Hong Kong to please China.

In his most emphatic statement of his latest Hong Kong trip, his fourth since the spring of 1984, he said: "Let me once and for all dispose of the myth that Britain ever has or even would sacrifice Hong Kong's interests in the pursuit of better Sino-British relations.

"We won't, we shouldn't and we can't."

**Concludes Visit**

OW3105204888 Beijing XINHUA in English  
1610 GMT 31 May 88

[Text] Hong Kong, May 31 (XINHUA) — British Foreign Secretary Geoffrey Howe suggested here again today that hard measures should be taken to control the Vietnamese refugee problem.

Howe hosted a 45-minute press conference here this afternoon towards the end of his three-day visit, which was focused on the refugee problem, the Basic Law draft consultation and Britain's commitment to the future of Hong Kong.

The Soviet invasion of Afghanistan and its support for the Vietnamese occupation of Kampuchea have helped create two of the world's largest refugee problems, Howe said.

"Soviet troops are now pulling out of Afghanistan. So let's hope Mr. Gorbachev's new thinking will soon turn its attention in an equally constructive way to Southeast Asia," he said.

"The whole position in Southeast Asia would be immensely improved if Vietnam quit Cambodia (Kampuchea)," he said.

Howe said British Government will continue to press directly on the Vietnamese government.

He said "hard decisions will have to be taken," adding that "Hong Kong can't go on offering itself to an endless stream of people as a transit point to a future that does not and cannot exist."

It must be right for the Vietnamese to find their future in Vietnam, "unfortunately, despite international pressure, Vietnam refuses to have them back," Howe said.

Commenting on the first draft of the Basic Law, he said there are areas that need to be examined for completeness, areas that need to be examined for consistency. But "a very, very substantial achievement is already obvious. A great deal of it has been transmitted into the Basic Law."

The British foreign secretary also spoke highly of Hong Kong people for their aspiration for a brighter future of Hong Kong people for their aspiration for a brighter future of Hong Kong and the marked achievements they made in different fields.

Howe and his party left here for home this evening.

**Vietnamese Refugee 'Influx' Causes Concern**  
OW2805051088 Beijing XINHUA in English  
0015 GMT 28 May 88

[Text] Hong Kong, May 28 (XINHUA) — The continuous influx of large number of Vietnamese refugees since the beginning of this year has aroused concern here.

According to local newspapers, from January to May 20 of this year, newly arrived Vietnamese refugees numbered about 4,300, eight times the arrivals in the same period of last year. As a result, Vietnamese refugees in Hong Kong totalled over 13,000.

A large number of boats are still waiting along Vietnamese coast for exodus, the papers said.

Meanwhile, the principal countries of resettlement take fewer and fewer Vietnamese boat people from Hong Kong. As a result, Hong Kong is confronted with an increasingly heavy financial burden, more difficulties in housing and supporting the Vietnamese refugees and various social problems, which cause concern among local people.

At an in-house meeting of the legislative council held in early May, most of the legislative councilors urged the Hong Kong Government to scrap the first asylum policy for Vietnamese refugees.

It was reported that the fresh surge of Vietnamese boat people influx was mainly due to natural disaster in central Vietnam, where many people were suffering from hunger.

Vietnamese refugees began to arrive in Hong Kong in 1975 when the civil war between North and South Vietnam came to an end. In 1979, the problem reached crisis proportions and Hong Kong was named a place of first asylum. Thailand, Singapore, Malaysia, Indonesia and the Philippines also assumed that responsibility.

Geoffrey Barnes, secretary for security, said earlier this month that since 1975, more than 116,000 refugees had sought and been granted first asylum in Hong Kong.

After those resettled in other countries, there are still over 13,000 Vietnamese refugees in Hong Kong, including some 4,000 who have stayed here for over three years.

Recently, some Southeast Asian countries have reduced their intake of Vietnamese boat people, and Hong Kong has to bear the brunt of a fresh influx of Vietnamese refugees.

Representatives from Southeast Asian countries and Hong Kong are now meeting in Bangkok, Thailand, to discuss how to deal with the problem of Vietnamese refugees.

**PRC's Tian Jiyun Ends 'Low-Profile' Visit**  
*HK2905083788 Hong Kong SUNDAY STANDARD*  
*in English 29 May 88 p 3*

[By Stanley Leung]

[Text] Chinese Vice-Premier Tian Jiyun yesterday ended his six-day visit to Hong Kong with praise ranging from the profit-making ability of entrepreneurs to the intelligence of the Hong Kong people.

Before boarding a Beijing-bound flight at noon, Mr Tian said he was impressed with Hong Kong's city planning and management, and the prosperity and stability of economy.

Mr Tian, the most senior Chinese official visiting Hong Kong, also appreciated both the working class and the capitalists.

"I am deeply impressed with the entrepreneurs' keen ability to manage and make profit properly, and the Hong Kong people's diligence and intelligence," he said.

Mr Tian, who led a 150-member team from Vancouver to Hong Kong last Monday, thinks there are many areas in Hong Kong that are worth studying and learning.

He also thanked the Government for its help with the visit and the press for their "objective coverage" of events.

Mr Tian's entourage was seen off at the airport by Political Adviser Mr Richard Clift and a vice-director of the NEW CHINA NEWS AGENCY, Mr Qiao Zonghuai.

The visit was kept low-profile, without hard discussions on any controversial issues facing the territory taken up.

Mr Tian has made only general comments on Hong Kong's economy, which he described as sound.

He said he was on a stop-over visit in Hong Kong as a guest of the NCNA director, Mr Xu Jiaturun, after his three-leg tour in North America.

**PRC's Ji Pengfei Arrives, Statement Released**  
*HK0106050888 Hong Kong XINHUA in English*  
*0359 GMT 1 Jun 88*

[Text] Hong Kong, June 1 (XINHUA)—Ji Pengfei, director of the Hong Kong and Macao Affairs office under the State Council, and his wife Xu Hanbing arrived in Hong Kong by air this morning.

He released a written statement at the airport which said: "It is with great pleasure that I have come to Hong Kong for a visit at the invitation of Sir David Wilson, governor of Hong Kong, and of Mr. T. K. Ann, chairman of the Consultative Committee for the Basic Law of the Hong Kong Special Administrative Region."

"I was invited to visit Hong Kong towards the end of 1985. Over the past two years and a half, both the overall situation in Hong Kong and the cooperation between the Chinese and British sides in implementing the Sino-British Joint Declaration have been satisfactory," he said.

Ji, also chairman of the Drafting Committee of the Basic Law for the Hong Kong Special Administrative Region, said: "Gratifying progress has also been achieved in the drafting of the Basic Law of the Hong Kong Special Administrative Region thanks to the close cooperation of the Hong Kong Consultative Committee for the Basic Law and the attention of Hong Kong people from all walks of life. Now the Draft Basic Law for solicitation of opinions has been published and it is intended for an extensive solicitation of opinions from people of various circles in Hong Kong and the mainland over a period of five months.

"The main purpose of my current visit to Hong Kong is to hear the views of Hong Kong people from all walks of life on the Draft Basic Law for solicitation of opinions so as to pool collective wisdom by drawing on useful ideas in order to produce a basic law of the Hong Kong Special Administrative Region which fully embodies the principle of 'one country, two systems,' accords with the realities of Hong Kong and accommodates the interests and wishes of Hong Kong people of all strata."



Ji and his party were greeted at the airport by Hong Kong Governor David Wilson, Chief Secretary David Ford, political adviser Dick Clift, director of XINHUA NEWS AGENCY Hong Kong Branch Xu Jiatun, and T. K. Ann, chairman of the Consultative Committee for the Basic Law of the Hong Kong Special Administrative Region.

**PRC Leaders' Children Hold Key Local Jobs**  
*HK2805024588 Hong Kong HONGKONG STANDARD in English 28 May 88 p 1*

[By David Wong]

[Text] Chinese leaders have chosen Hong Kong as a springboard to provide a "learning wonderland" for their children, enabling them to gain exposure to a capitalist-style of doing business.

Hong Kong is favoured because it is perceived as the frontline of capitalism in the region, and the proliferation of Chinese enterprises in recent years in the territory have also offered these "princely children" an ideal environment to gain much-needed experience, sources said.

And investigations by THE STANDARD revealed that some of those "princelets" posted at leading Chinese corporations here include children of Politburo members, top government officials and marshals of the Long March.

Their identity, the nature of their work and their whereabouts, have been a tightly-guarded secret within the inner circles of Chinese corporations in Hong Kong.

Sources said these "princely children" have maintained a very low profile because of the political sensitivity of their presence here. And, more important, to avoid giving the impression of nepotism that would indirectly reflect on their parents.

The STANDARD has learned that in Hong Kong, Everbright and China International Trust and Investment Corporation (CITIC) are favoured enterprises where top party and military leaders preferred to post their sons or daughters.

They include chairman of the National People's Congress (NPC), Mr Wan Li; vice-chairman of the Chinese People's Political Consultative Conference (CPPCC), Mr Fang Yi; CITIC head Mr Rong Yiren; the late Marshal Ye Jianying; and last Marshal He Long, a former vice-premier.

Mr Rong Zhijian, son of Mr Rong Yiren, is now the deputy director and general manager of CITIC; whereas his deputy is Mr Wan Zhongxiang, son of Mr Wan Li who has recently been made the NPC chairman. Mr Wan is a protégé of China's paramount leader, Mr Deng Xiaoping.

Attempts have been made by THE STANDARD to interview these two "princely children" but we were told that they had gone abroad on business.

Little information is available about the personal life of Mr Rong Zhijian and Mr Wan Zhongxiang and their activities here.

But we have established that Mr Wan, who is in his mid-30s, came to Hong Kong about three years ago and that he was first appointed a deputy director of the administration office of CITIC. He is now a deputy general manager.

His superior, Mr Rong Zhijian, who is also known as Larry Yung, is the son of China's most prominent "red capitalist" Mr Rong Yiren, who is chairman of CITIC, and a vice-chairman of the NPC. The junior Rong is now a deputy director and general manager of CITIC in Hong Kong.

Another noted figure is Mr Fang Yi's son, Mr Fang Laicheng, who is also the general manager of a subsidiary of the Fujian Enterprises (Holdings) Co. Mr Fang Yi is now a vice-chairman of the CPPCC and a former Politburo member and State Councillor.

In addition, it is understood that a son of the late Marshal Ye Jianying is now in a senior managerial position at Tsinlien Trading.

The late marshal was the best known revolutionary general in the Long March and the civil war with the Nationalists in the 1940s. He was also pivotal in crushing the "Gang of Four" in 1976. At the zenith of his power in China's political arena, he was a Politburo Standing Committee member before he died two years ago.

Another legendary Chinese leader, late Marshal He Long, also had his daughter posted here at Everbright, but it was not known what capacity Madame He Jie was holding with the Chinese corporation.

Marshal He Long was one of the top 10 generals in China in the 1950s, but he was purged by the Red Guards and died in prison during the Cultural Revolution.

Mr Deng Pufang, the eldest son of China's paramount leader, Mr Deng Xiaoping, was the founder of Kang Hua Industrial Company which is to be registered here soon.

The industrial setup was first established by the young Deng in a bid to generate revenue for funding the welfare work for the disabled in the country.

But he has resigned from the chairmanship of the company due to increasing pressure that favouritism could play a part because of his father's position.



**PRC Limits Localizing Local Business Assets**  
**HK2805022588 Hong Kong HONGKONG STANDARD**  
**in English 28 May 88 p 11**

[Third and final part of a "Three Part Series on Mainland Investment in The Territory" called "China Inc: Hong Kong's New Business Barons" by Fan Cheuk-wan, Chan Wai-fong, and Tammy Tam: "China Reverses Localisation;" part one published in the 27 May China DAILY REPORT; part two published in the 31 May China DAILY REPORT]

[Text] Just when localisation is being pushed ahead, Chinese commercial operations in the territory are going into the reverse process.

China Travel Service (Holding) Hong Kong Ltd (CTS), an established operation in the territory under the leadership of the State Council's Overseas Chinese Affairs Office, went through a revamping in 1985 after which top management jobs held by locals passed into the hands of new arrivals from Beijing.

The same thing has happened in XINHUA NEWS AGENCY's Hong Kong branch. Many local people of proven capabilities and devotion were replaced by Beijing appointees.

A China Resources official says localisation within his group was "limited."

Many local people have been recruited and promoted in recent years but only because their expertise was needed in those areas. But not a single one has a say in policy decisions.

A number of local people were appointed to its board. But the China Resources official had no qualms in saying: "They definitely have no say in policy making."

China Resources have areas of great sensitivity, like its personnel, finance and administration departments. "These departments handle a lot of confidential matters. We have a definite policy which discriminates against locals. Our people are not to localise in these areas," the official said.

This policy means that even clerical staff for those departments are brought in from China.

China Merchants, which is the longest-operating concern here, employs 8,000 people, of whom 90 percent are locals. It claims to have a stable staff.

But in 1983 it recruited 100 university graduates. Today less than 30 are still with the company. Mr S. S. Chu, General Manager of Administration, insists this is normal in Hong Kong. "This happens in all enterprises. Many of the young people leave because they have to sit for professional examinations," he said.

But there is no denying that mainlanders are trooping down to replace locals. These fresh appointees, simply referred to as "northerners," are now involved in a lot of friction with local staffers. A high resignation rate and low morale are the trademark of many of these enterprises.

Yet one of the proudest boasts of the Chinese enterprises in the territory is that local people are being groomed to take over the top jobs.

There is an explanation for this discrepancy. According to a trader with intimate experience of these operations, the "northerners" began filling up top jobs in 1984.

A prime reason is the general distrust of Hong Kong people. The second most important reason is that many officials would rather be here than in China. Some would also like to have relatives or friends in place here.

Some of the top leaders have led the way by getting their sons and daughters appointed to key positions. Learning to cope with capitalism is one reason. Another is to exploit opportunities here for money, education and the broadening of horizons.

In the face of discrimination, blocked promotions and low salaries, local people simply resign. No figures are available, but the causes are obvious enough.

"We are discriminated against. There is little chance of promotion to the top," said a university graduate who joined a prominent Chinese enterprise four years ago.

Another graduate in the Bank of China group said he was made to feel like an outsider by mainlanders. "They think that we are here to grab their rice bowls. They are sometimes rather hostile.

"I also feel inferior working in one of these operations. These companies don't have a good image," he said.

He also complained about the low salaries and bleak promotion prospects. But he is most uneasy about the patriarchal management system in which personal relationships count far more than rules and regulations.

He said his own political aspirations when he first joined the bank. But these have now vanished. "The working relationship has become merely an ordinary employer-employee one," he said.

"Local people are often discouraged because they have very limited chances for promotion and participate in the decision making process," said Ms Priscilla Lau Puiking, a Hong Kong delegate to Guangdong Provincial People's Congress and Principal Lecturer of the Department of Business Studies at the Hong Kong Polytechnic.

"There are frequent conflicts between mainland officials who avoid risks and locals who are prepared to take risks, so a dual system has appeared in these enterprises," she said.

According to insiders, the Bank of China group suffers less from the brain drain because pay scales are now comparable to other banks.

Still, locals at the top are rare. Mr Chung Shui-ming, the deputy general manager of the Nanyang Commercial Bank, is considered one of the most promising China-groomed locals to be a legislator of the Hong Kong Special Administration Region.

Mr Chung has a "good background." Like many of the professionals in such enterprises, he has shown strong political inclinations towards the Chinese Government.

But very few of these people survive for long in these Chinese operations. Mr Chung's wife, a Hong Kong University graduate, once worked for XINHUA NEWS AGENCY.

"I am frustrated when I see so many of the loyal and devoted local people being pushed aside and that we have little chance of promotion," a drop-out grumbled.

**Vatican Elevates Bishop Wu To Cardinal**  
*HK3005072688 Hong Kong HONGKONG STANDARD in English 30 May 88 p 1*

[By Winnie Fu and Matthew Leung]

[Text] The Roman Catholic Bishop of Hong Kong, the Most Reverend John Baptist Wu, was elevated to cardinal by the Pope yesterday in an apparent move to improve Sino-Vatican relationships.

He was one of 25 new cardinals named by Pope John Paul II at the end of a Mass in St Peter's Basilica. They will be formally promoted in a ceremony at the Vatican on June 28.

Church people here greeted the news with surprise and applause.

They said the 63-year-old, Chinese-born bishop was likely to be the first cardinal in Communist China when it takes over Hong Kong in 1997 and would play a key role as a bridge between Beijing and the Vatican.

His aide, Vicar General Gabriel Lam, is expected to become bishop in his place.

Bishop Wu was not available for comments last night.

Speaking for him, Diocesan Chancellor the Rev Lawrence Lee, said that apart from local religious affairs, the future cardinal would visit Vatican more often to assist the Pope in his world missions and be involved in the management of the bishops and clergy world-wide.

He said it was a very special appointment as Hong Kong was so small, although it was not impossible under the church's regulations.

"Cardinals are commonly named for two reasons—either he is the highest representative of regional significance, say capital of a country, or because of his personal achievements," he said.

Born in Guangdong's Wuhua County in 1925, the new cardinal was ordained priest in July 1952 and appointed Bishop of the Hong Kong diocese in April 1975. His ordination and installation were held in July that year.

He worked in Taiwan as a priest for 18 years before coming to Hong Kong as bishop.

As a cardinal, Bishop Wu will have an important function as a church diplomat, deemed essential to improve Sino-Vatican links.

Church people said it would have been a luxury to have a cardinal in such a small place, but for the political implications.

They said his Taiwan back-ground would also help improve communications on both sides of the Taiwan Strait.

He is also required to assist the Pope to handle international religious affairs of the Vatican, and will be active in the church's effort to expand its work in China.

He laid some groundwork for this during two visits to China in 1984 and 1986.

In the Direction of the Catholic Diocese of Hong Kong for the Next Ten Years, published by the Catholic Church a week ago, it clearly stated its intention to make Hong Kong a "bridge-church mission".

Most of the priests contacted said the appointment would be beneficial to both local and mainland churches.

Rev Adelio Lambertoni, the head of St Stephen's Church and vice-chairman of the pressure group Society for Community Organisations, said he believed it was the Pope's intention to make use of Hong Kong as a bridge to link churches in China with the Vatican.

"I think the Pope has made a very good choice because naming Bishop Wu as a cardinal will definitely assist his future missions in China," he said.

Rev Lambertoni regarded this appointment as an official recognition of mainland churches as part of the Vatican.

Kowloon priest the Rev Dominic Chan said the Sino-British Joint Declaration had promised mutual communication between China and Hong Kong and the appointment would make a concrete step in that direction.

"It will also boost morale within the Hong Kong church community," Rev Chan said.

He said it was rare for a diocesan bishop to be named cardinal.

#### **Vatican-PRC Ties Viewed**

**HK0106075988 Hong Kong SOUTH CHINA MORNING POST in English 1 Jun 88 p 5**

[By Tad Stoner]

[Text] The biggest obstacle in re-establishing ties between the Vatican and the Chinese Catholic Church was achieving mutual accommodation without sacrificing principle, said Hong Kong's newly elevated Cardinal, Bishop John Baptist Wu Cheng-chung.

"The principle not to be sacrificed is the article of faith," he said yesterday, referring to the dogma of Papal leadership, a doctrine in direct conflict with China's "three-self patriotic church movement".

Bishop Wu said: "We must have mutual concessions and mutual accommodation.

"We can talk things over and compromise with each other."

But, he said "the point of faith is not for compromise, but we can discuss social development, human rights, the history and the future of the church."

The Pope elevated 25 prelates, including Bishop Wu, on Sunday to the 161-member College of Cardinals. It is the first time Hong Kong has a Cardinal.

Ties between the Vatican and the mainland were severed in 1957 and a large number of priests have been detained for refusing to renounce loyalty to the Pope.

Bishop Wu, 63, a long-time advocate of close links between local and mainland churches, in 1985 led the territory's first delegation to Beijing.

At a press conference yesterday, Bishop Wu said one of his jobs as Cardinal would be "to advise the Pope in administering universal church business".

Re-establishing links with China "is of those items of business", he said.

The Vatican has tried to downplay the political significance of Bishop Wu's elevation, but the prelate's opening statement to yesterday's gathering at the Catholic Diocese Centre in Caritas House addressed the question directly.

"I believe when the Pope decided to create a Chinese Bishop of Hong Kong as a Cardinal, he wished to show his love and care for the Chinese nation, the largest nation in the world," said the statement.

"He deeply appreciates the long history of the culture and civilisation of our country and he acknowledges the importance of this territory of Hong Kong, which happens to be the largest Chinese Catholic diocese in the world.

"I am sure that in this historic stage in the Development of Hong Kong, such a gesture of the Pope is really beneficial and welcome."

At the press conference, Bishop Wu noted: "After 1997, China will recognise the position of Cardinal in Hong Kong. We have 50 years promised of no change; one country, two systems."

Bishop Wu said church support for democracy in Hong Kong did not contradict efforts to establish ties with the mainland church and that mainland religious persecution was a matter for negotiation.

"So many Catholic and Christian countries in the world have different styles and different governments," he said.

The Bishop said increased contacts with the mainland would be his priority.

"We must all understand each other," he said.

**Canada Eases Immigration Rules on Families**  
**HK2905083388 Hong Kong SUNDAY STANDARD**  
**in English 29 May 88 p 1**

[By Ian Markham-Smith]

[Text] Thousands more Hong Kong people will automatically qualify to become Canadian citizens under new changes to immigration laws which come into effect on July 8.

The most important aspect of the new rules is that they allow young unmarried people over 21 into Canada to join relatives.

The change, announced yesterday by the Canadian Government, is aimed at re-uniting thousands of immigrant families split up under existing immigration policies.

Hong Kong will be affected by the changes because more of its people will be eligible to join their families already living in Canada and planning to move there.



The rule changes will allow never-married sons and daughters of immigrants to accompany their parents when they move to Canada or to join parents already living there.

"We do expect to receive many more applications from people in Hong Kong," said a spokesman for Canada's Immigration Department in Ottawa.

"The greatest proportion of our Chinese community already comes from Hong Kong so Hong Kong citizens obviously will benefit greatly from the relaxation of current regulations."

Last year nearly 14,000 residence visas to Canada were issued to Hong Kong people.

Local councillor Dr Conrad Lam Kui-shing said last night: "On humanitarian grounds the new policy should be hailed. But I am worried that it may attract more people. If so, the brain drain problem will be worsened."

He noted that many Hong Kong people were opting to live in Canada because they were worried about their future here.

Until now only children under 21 years of age have been admitted by the Canadian authorities provided they were in good health and had no criminal record.

The new regulations will permit sponsorship of brothers, sisters, aunts, uncles and children over 21.

But family members settled in Canada will have to satisfy authorities that they can support Children admitted under the new rules before permission for them to enter the country is granted.

Speaking in Ottawa, Canada's Immigration Minister, Mrs Barbara McDougall said: "By recognising all never-married children as part of the immediate family, regardless of age, we are responding to the real needs of these people to join their relatives here."

At present people can apply to migrate to Canada under four categories: family reunification class, assisted relatives, independents and business groups.

Family reunification always has been the easiest way to migrate to Canada. But, of the nearly 14,000 visas granted to Hong Kong citizens last year, only 2,831 visas were issued under the reunification class.

The major group of people leaving the territory for Canada was in the independent category. Their relatives may now qualify under the other class.

A second major change brought in under the same new legislation will affect people applying to move to Canada under the assisted relative class of qualification.

The immigration selection point-system is being relaxed to allow easier entry to married sons, daughters, brothers and sisters who are assisted by their families already living in Canada.

The change awards an extra five points towards qualifying for residency status to newcomers who have an aunt, uncle, brother or sister holding Canadian citizenship.

Immigrants need a total of 70-points to qualify for residency status.

The points are accumulated through a number of factors. Under the present system would-be immigrants are awarded 12 points for education; 15 for vocational preparation; nine for speaking English or French; 15 for speaking both languages; 10 for being between 15 and 44; and 10 for having relatives in Canada. It is this last category which is being increased to 15 points.

Last year about 150,000 immigrants were admitted to Canada.

Canada traditionally has drawn a significant number of its immigrants from Hong Kong. Most of Canada's ethnic Chinese population—which numbers around 60,000—come from the territory.

**XINHUA Sees Bright Economic Future**  
*OW2705140488 Beijing XINHUA in English*  
*1107 GMT 25 May 88*

[Text] Hong Kong, May 25 (XINHUA) — The future of Hong Kong, the pearl in the Orient, continues to shine brightly, economists say here on the eve of the third anniversary of the Sino-British Joint Declaration on Hong Kong.

Since the declaration came into force on May 2, 1985, Hong Kong's position as a world center of shipping, trade and banking has enhanced, the economists say.

Its shipping industry has edged out Rotterdam as the world's busiest container port. Last year Hong Kong handled 3,457,182 twenty-foot equivalent units (TEU's).

With expansion of its major container port at Kwai Chung, now under way, the volume can only grow larger.

Last year, some 15,170 ocean-going vessels called at Hong Kong. They loaded and discharged 47 million tons of cargo, nearly half of it containerized.

The growth in shipping has been backed by a boom in foreign trade.

In 1986 Hong Kong's total value of foreign trade rose by 24 percent over the previous year and in 1987 it was up again by 37 percent with a trade volume of 755.9 billion H.K. dollars, or about 96.9 billion U.S. dollars, putting Hong Kong among the world's top 10 trading nations.

About 40 percent of the cargo Hong Kong handles is for its entrepot trade.

Many Hong Kong manufacturers have been able to reduce costs and increase competitiveness by shifting their labor-intensive production to the mainland.

The financial sector has gone through more twists and turns.

In the past two years it has survived a run on the Hong Kong dollar, last October's stock crash and other strikes, yet has maintained its pre-eminence in Asian and Pacific banking circles.

By the end of March this year, combined assets of banks operating in Hong Kong reached 3,430.6 billion H.K. dollars, up 170 percent over 1984. Of these, more than 40 percent were external, spread over about 80 countries.

Hong Kong bank loans to overseas [word indistinct] were worth 5.3 billion H.K. dollars last year, accounting for over 60 percent of all loans made by Asian and Pacific banking groups.

#### **Most People Optimistic**

*OW2905105388 Beijing XINHUA in English*  
*1118 GMT 28 May 88*

[Text] Hong Kong, May 28 (XINHUA) — About 94 percent of the Hong Kong people considered the local economy as either good or average, as indicated in a quarterly confidence survey conducted earlier this month.

Those who thought the economy was good rose from 32 percent to 36 percent of the 1,000 respondents randomly polled by the Survey Research Hong Kong.

The trend of the survey commissioned by the SOUTH CHINA MORNING POST showed that the public mood was buoyant, despite the aftershock from the stock market collapse last October and recent news that Hong Kong exports were slowing down.

The same respondents said they also looked forward to either improved or steady personal finances. Only 13 percent thought they would soon be worse off.

This general sentiment is in line with the government's own economic forecast that the gross domestic products would grow to 5,600 H.K. dollars a person per month by the end of the current financial year, giving the residents here the distinction of being the second best paid workforce in Asia, after Japan.

#### **Draft Basic Law Attracts Attention**

*OW2905023388 Beijing XINHUA in English*  
*1417 GMT 28 May 88*

[Text] Hong Kong, May 28 (XINHUA) — The one-month promotion of the Basic Law Draft has attracted great attention from among local citizens, and it gave them a better understanding of the draft and laid a sound foundation for consultn in coming months.

The consultative committee for the Basic Law of the Hong Kong special administrative region has arranged a five-month consultation period following the publication of the first draft of the Basic Law on April 28, with the first month concentrating on promotion.

In the promotion period, Chinese and English versions of the Basic Law Draft had to be printed again and again to meet the unexpected big demand and 800,000 copies, double the planned circulation, have been collected by people in Hong Kong.

The exhibition "Getting To Know the Basic Law" attracted a large number of visitors and video tapes focussed on Basic Law were also popular.

Meanwhile, newspapers carried stories on Basic Law almost everyday in the past month, including interviews with members of the Drafting Committee and the Consultative Committee for the Basic Law, talks and articles by noted figures, scholars and leaders of various organizations. Television stations showed seminars and special programs on basic law frequently as well.

Various organizations and schools disseminated and discussed the Basic Law Draft through different forms. For example, the Hong Kong Federation of Education Workers compiled and published booklets such as "ABC of Basic Law". The Hong Kong Federation of Trade Unions and the Hong Kong Baptist College organized lectures and seminars.

In addition, the Consultative Committee for the Basic Law has already received over 100 submissions on the Basic Law in the period of promotion.

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